1997/98 ANNUAL REPORT

SECTION 2

The Financial Statements of:

- Public Colleges
- Technical Institutes
- Universities and Associated Entities
- Banff Centre for Continuing Education
- Alberta Vocational Colleges
- Foundations

Alberta
ADVANCED EDUCATION AND CAREER DEVELOPMENT

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* These financial statements were unavailable at time of printing.

Public Accounts 1997/98

Preface

The Public Accounts of Alberta are prepared in accordance with the Financial Administration Act and the Government Accountability Act. The Public Accounts consist of the annual report of the Government of Alberta and the annual reports of each of the 18 Ministries. Commencing this fiscal year, ministry annual reports required under the Government Accountability Act replace volumes 2, 3 and 4 of the Public Accounts prepared in previous years.

The annual report of the Government of Alberta contains the consolidated financial statements of the Province and a comparison of the actual performance results to desired results set out in the government's business plan, including a message from the Provincial Treasurer. The Province's audited consolidated financial statements include the accounts of government entities consisting of departments (all departments combined form the General Revenue Fund), revolving funds, the Alberta Heritage Savings Trust Fund and other regulated funds, provincial agencies and Crown-controlled corporations.

This annual report of the Ministry of Advanced Education and Career Development contains the audited consolidated financial statements of the ministry and a comparison of actual performance results to desired results set out in the ministry's business plan, including a message from the Minister. The ministry's audited consolidated financial statements include the accounts of Personnel Administration Office and the Department of Advanced Education and Career Development.

This annual report includes, either as a separate report or as part of financial statements, the reports or statements prepared pursuant to the Financial Administration Act, to the extent that the ministry has anything to report. A summary of expenditures under each appropriation in the ministry, as required by the Government Accountability Act, is included in the financial statements of the department.

Financial information relating to accountable organizations which includes the universities, technical institutes and public colleges, and the Long Term Disability Benefit Fund - Bargaining Unit and the Long Term Disability Fund - Management, Opted Out and Excluded is also included in this annual report as supplementary information.

Introduction

Included in this section of the Ministry of Advanced Education and Career Development's Annual Report are the financial statements of the universities and associated entities, public colleges, technical institutes and foundations established under the Advanced Education Foundation Act in accordance with section 14 of the Government Accountability Act and section 2(5) of the Financial Administration Act. While not required by statute to be included in the Public Accounts, the audited financial statements of the Banff Centre for Continuing Education and the audited statement of financial position of the Alberta Vocational Colleges are also included.

Universities, public colleges and technical institutes are supported, in part, by government through the provision of operating and capital grants, and their programs are coordinated under policies administered by Advanced Education and Career Development.

Public Colleges:

Public colleges are governed by independent boards under the authority of the Colleges Act.

Year end: June 30

Technical Institutes:

Technical institutes are governed under the authority of the Technical Institutes Act.

Year end: June 30

Universities:

The University of Alberta, the University of Calgary and the University of Lethbridge are each governed by public boards appointed under the authority of the Universities act.

The Athabasca University has a single governing body that operates under the authority of the Universities Act. This governing body acts simultaneously as a board, senate, general faculties council, faculty council and school council.

Year end: March 31

Banff Centre:

The Banff Centre for Continuing Education is governed under the authority of the Banff Centre Act.

Year end: September 30

Alberta Vocational Colleges:

A statement of financial position was requested by Advanced Education and Career Development for the Alberta Vocational Colleges (AVC) as at September 1, 1997. This was the date on which the Interim Governing Authorities began operating the colleges, and the date on which certain departmental assets and liabilities were transferred to the colleges. The AVCs will be part of the public colleges for year end June 30, 1998.

Year end: June 30

Foundations:

Foundations included in this Annual Report were established under the Advanced Education Foundation Act.

Year end: March 31

ALBERTA COLLEGE OF ART AND DESIGN
FINANCIAL STATEMENTS
JUNE 30, 1997

AUDITOR'S REPORT

To the Board of Governors of the
Alberta College of Art and Design

I have audited the statement of financial position of the Alberta College of Art and Design as at June 30, 1997 and the statements of revenue and expense and changes in net assets and changes in financial position for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly the financial position of the College as at June 30, 1997 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Original signed by
Peter Valentine, FCA
Auditor General

Edmonton, Alberta
November 14, 1997

ALBERTA COLLEGE OF ART AND DESIGN
STATEMENT OF FINANCIAL POSITION
JUNE 30, 1997

	1997	1996
ASSETS		
Current:		
Cash and investments (Note 3)	$ -	$ 69,587
Accounts receivable and prepaid expenses	151,158	176,300
Inventories	390,352	382,911
	541,510	628,798
Non-current:		
Accounts receivable (Note 3)	9,899	-
Cash and investments (Note 3)	1,670,444	1,559,633
Capital assets (Note 4)	8,929,268	9,345,463
	$ 11,151,121	$ 11,533,894
LIABILITIES AND NET ASSETS		
Current:		
Trade accounts payable	$ 187,439	$ 126,323
Deferred fees	40,565	49,114
Computer licence payable	-	183,750
Deferred contributions (Note 5)	366,769	129,642
Accrued vacation pay	483,704	452,665
	1,078,477	941,494
Non-current:		
Pension liability (Note 6)	139,974	423,434
Unamortized deferred capital contributions (Note 7)	8,028,332	8,462,873
Deferred contributions (Note 5)	509,834	403,997
	9,756,617	10,231,798
Net assets:		
Investment in capital assets	900,936	882,590
Accumulated deficiency of revenue over expense	(676,941)	(736,130)
Endowments (Note 8)	1,170,509	1,155,636
	1,394,504	1,302,096
	$ 11,151,121	$ 11,533,894

The accompanying notes are part of these financial statements

ALBERTA COLLEGE OF ART AND DESIGN
STATEMENT OF REVENUE AND EXPENSE
FOR THE YEAR ENDED JUNE 30, 1997

	1997 Budget (Note 14)	1997 Actual	1996 Actual
Revenue:			
Operating grants (Note 9)	$ 5,585,106	$ 5,732,292	$ 5,668,235
Tuition fees	1,326,400	1,365,417	1,122,999
Continuing education fees	380,000	376,864	354,545
Bookstore sales	565,000	593,979	567,748
Sales, rentals and services	45,500	66,723	32,065
Donations and fundraising events	190,000	65,955	100,070
Investment income	15,000	72,867	113,618
Earned capital contributions (Note 7)	-	525,180	533,363
	8,107,006	8,799,277	8,492,643
Expense (Note 10):			
Instruction	3,842,785	4,265,138	3,858,412
Academic support	1,193,946	1,256,048	1,125,745
Student services	455,860	521,058	481,331
Institutional support	1,916,265	1,836,599	1,790,954
Other costs (Note 12)	603,024	622,182	561,511
Amortization	-	650,775	616,402
Loss (gain) on disposal of capital assets	-	907	(1,185)
	8,011,880	9,152,707	8,433,170
Excess (deficiency) of revenue over expense before unusual items	95,126	(353,430)	59,473
Unusual items:			
Unallocated pension valuation adjustment (Note 6)	-	222,700	-
Recovery of investment previously written down (Note 13)	-	206,465	-
Excess of revenue over expense	$ 95,126	$ 75,735	$ 59,473

ALBERTA COLLEGE OF ART AND DESIGN
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 1997

	1997 Accumulated Deficiency of Revenue Over Expense	1997 Investment in Capital Assets	1997 Total Operating Net Assets	1997 Endowments	1997 Total Net Assets	1996 Total Net Assets
Excess of revenue over expense	$ 75,735	$ -	$ 75,735	$ -	$ 75,735	$ 59,473
Increase in endowments (Note 8)	-	-	-	14,873	14,873	39,473
Internally funded:						
Purchase of capital assets	(145,705)	145,705	-	-	-	-
Amortization of capital assets	125,595	(125,595)	-	-	-	-
Disposal of capital assets	3,564	(3,564)	-	-	-	-
Donated artwork	-	1,800	1,800	-	1,800	-
Increase in net assets	59,189	18,346	77,535	14,873	92,408	98,946
Balance, beginning of year	(736,130)	882,590	146,460	1,155,636	1,302,096	1,203,150
Balance, end of year	$ (676,941)	$ 900,936	$ 223,995	$ 1,170,509	$ 1,394,504	$ 1,302,096

ALBERTA COLLEGE OF ART AND DESIGN
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 1997

	1997	1996
Operating activities:		
Excess of revenue over expense	$ 75,735	$ 59,473
Non-cash transactions:		
Earned capital contributions	(525,180)	(533,363)
Amortization of capital assets	650,775	616,402
Loss (gain) on disposal of capital assets	907	(1,185)
Change in pension liability	(283,460)	(121,566)
Changes in non-cash working capital (Note 15)	338,434	30,182
Cash provided from operating activities	257,211	49,943
Investing activities:		
Purchase of capital assets:		
Internally funded	(145,705)	(689,744)
Externally funded	(90,639)	-
Donated artwork	(1,800)	-
Proceeds on disposal of capital assets	2,657	1,185
Net purchase of non-current investments	(110,811)	(46,439)
Cash used in investing activities	(346,298)	(734,998)
Financing activities:		
Increase in non-current accounts receivable	(9,899)	-
Capital contributions received	196,476	6,966
Increase in endowments	14,873	39,473
Donated artwork	1,800	-
Increase (decrease) in computer licence payable	(183,750)	183,750
Cash provided from financing activities	19,500	230,189
Net decrease in current cash and investments	(69,587)	(454,866)
Current cash and investments, beginning of year	69,587	524,453
Current cash and investments, end of year	$ -	$ 69,587

ALBERTA COLLEGE OF ART AND DESIGN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1997

Note 1 Authority and Purpose

The Alberta College of Art and Design (the "College") operates under the authority of the Colleges Act, Chapter C-18, Revised Statutes of Alberta 1980, as amended. The College is a registered charity and therefore, is exempt from payment of income tax.

The College is a public institution for education in the visual arts and design, which delivers both adult post-secondary degree and diploma programs and children's programming.

The College promotes cultural and artistic awareness in the College and the community through art exhibitions, public lecture programs and its collection of visual art and library resources.

Note 2 Summary of Significant Accounting Policies

(a) Inventories

Inventories held for resale are valued at the lower of cost and net realizable value. Inventories held for consumption are valued at the lower of cost and replacement value.

(b) Capital Assets

The land and building which house the College are owned by the Southern Alberta Institute of Technology (the "Institute") and are occupied by the College under a facility license granted by the Institute. The term of the license is through a renewable contractual agreement between the College and the Institute determined at the pleasure of the Minister of Advanced Education and Career Development.

The facility license providing the right to use the building has been recorded as an asset at fair value at the time the license was granted. Fair value is estimated as the building's amortized replacement cost based on an independent appraisal as at April 1982.

Subsequent additions are recorded as leasehold improvements at cost.

Furnishings and equipment are recorded at cost, except for donated assets which are recorded at fair value.

Capital assets, except for the artwork collection, are amortized on a straight-line basis over the following periods:

Facility license	remaining life of the building
Leasehold improvements	remaining life of the building
Furnishings and equipment	5-10 years

The artwork collection is held and maintained by the Illingworth Kerr Gallery. The collection is made up of numerous pieces of art that are held for display in the College and used for educational purposes. The pieces in the collection are recorded at the purchase price or at the appraised value at the time of donation.

(c) Revenue Recognition

Operating grants and investment income are recognized in the period when receivable.

Amounts received for fees and sale of goods and services are deferred and recognized as revenue at the time the tuition or goods are delivered or the services are provided.

Unrestricted cash donations are recognized as revenue when they are received. Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

Externally restricted non-capital grants, donations and interest are deferred and are recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts can only be used for purposes designated by external parties. Any externally restricted contributions containing stipulations that the amounts should be retained as net assets or that the contributions should not be expended are recorded as direct increases in net assets. Such stipulations would include contributions made for endowment purposes or to be used to acquire non-amortizable property.

Capital grants, donations and interest are recorded as deferred contributions until the amount is invested in capital assets. Amounts invested representing funded capital assets are then transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are recognized as revenue in the periods in which the related amortization expense of the funded capital asset is recorded.

(d) Expense

Instruction encompasses all formal educational and instructional program elements. Academic support includes all activities that directly support the educational and instructional elements. Student services includes all activities or services to the student body of the institution. Institutional support includes all activities that provide institution-wide administrative and clerical support to institutional operations.

(e) Pension Liability and Expense

The College participates with other employers in the Local Authorities Pension Plan (the "Plan"). The Plan, managed by the Pension Board, is a defined benefit pension plan and provides pensions for the College's employees based on their years of service and earnings.

The College's pension liability is its portion of the Plan's total unfunded pension liability, including deferred adjustments arising from experienced gains and losses and changes in actuarial assumptions identified by new actuarial valuations. The College's portion of the Plan's total unfunded pension liability is based upon the ratio of pensionable earnings of the College's employees to the earning of all employees in the Plan. The ratio is adjusted annually based upon the previous year's pensionable earnings of all employees in the Plan.

The actuarial valuation for the Plan was determined using the projected benefit method prorated on service. Assumptions used in the valuation are based on the Pension Board's best estimate of future events. The Plan's future experience will inevitably differ, perhaps significantly, from the assumptions. Any differences between the actuarial assumptions and future experience emerge as gains or losses in future valuations. Gains or losses which relate to the long term are amortized over the expected average remaining service life of the employee group. Gains or losses for which there is reasonable assurance regarding their measurement and realization are recognized as income immediately.

Pension expense is disclosed as part of salaries and wages and unallocated pension valuation adjustment. Pension expense includes the cost of pension benefits earned by employees during the year, interest on the College's share of the unfunded pension liability, the amortization of deferred gains or losses over the expected average remaining service life of employees which relate to the long term, adjustments to the pension liability recognized immediately where there is reasonable assurance that a gain or loss has been realized and the effect of the change in the ratio used to allocate the Plan's total unfunded liability to participating entities.

Note 3 Cash and Investments, Current and Non-Current

Funds available for investment represent a combination of working capital and endowments which consist of donated principal and reinvested investment income which cannot be expended.

The Board of Governors, through its Finance Committee monitors the performance of the investment portfolio. Under the investment policy the prime objectives of the investment fund are the generation of income, conservation of capital and growth of capital. The prime constraints that guide the investment policy are risk aversion and liquidity.

Realized return includes interest income and gains and losses on disposals of investments. Total return includes both realized and unrealized gains and losses on investments due to market value fluctuations. In 1997 the cash and investments obtained a realized return of 5.3% (1996 7.9%) and a total return of 3.4% (1996 (19.2%)).

Investments are currently held as Government of Canada treasury bills, as well as money market and bond mutual funds managed through an investment advisor. Cash and investments are summarized as follows:

	1997		1996	
	Cost	Market	Cost	Market
Cash	$ 264,543	$ 264,543	$ 288,464	$ 288,464
Government of Canada treasury bills	249,901	249,901	1,340,756	1,340,756
Mutual funds:				
Money market fund	656,000	656,394	-	-
Bond fund	500,000	503,262	-	-
Total cash and investments	1,670,444	$ 1,674,100	1,629,220	$ 1,629,220
Held as non-current assets	1,670,444		1,559,633	
Held as current assets	$ -		$ 69,587	

Cash and investments and accounts receivable held as non-current assets represent funds not available for current operations and comprise endowments and deferred capital contributions restricted for the purchase of capital assets, as follows:

	1997	1996
Endowments	$ 1,170,509	$ 1,155,636
Deferred capital contributions	509,834	403,997
	$ 1,680,343	$ 1,559,633
Cash and investments	$ 1,670,444	$ 1,559,633
Accounts receivable	9,899	-
	$ 1,680,343	$ 1,559,633

Note 4 Capital Assets

	1997			1996
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Facility licence	$ 12,207,000	$ 5,231,941	$ 6,975,059	$ 7,411,000
Furniture and equipment	1,982,938	1,116,483	866,455	803,833
Leasehold improvements	1,511,141	602,605	908,536	953,212
Permanent art collection	179,218	-	179,218	177,418
	$ 15,880,297	$ 6,951,029	$ 8,929,268	$ 9,345,463

Note 5 Deferred Contributions

	1997	1996
Contributions received during the year:		
Capital grants	$ 180,542	$ -
Capital donations	15,934	6,966
Non-capital grants	457,192	-
Non-capital donations	26,819	14,654
Endowment income	60,062	55,613
	740,549	77,233
Transferred to revenue:		
Operating grants	(229,366)	-
Donations	(17,551)	(16,750)
Investment income	(60,029)	(42,231)
	(306,946)	(58,981)
Transferred to:		
Unamortized deferred capital contributions (Note 7)	(90,639)	-
Increase during the year	342,964	18,252
Balance at beginning of year	533,639	515,387
Balance at end of year	$ 876,603	$ 533,639
Capital	$ 509,834	$ 403,997
Non-capital:		
Human Resources Development Canada grants	227,826	-
Scholarships	114,738	95,119
Other	24,205	34,523
	366,769	129,642
	$ 876,603	$ 533,639

Note 6 Pension Liability

The Public Sector Pension Plan Act specifies the basis for determining the amount of the total unfunded liability for the Plan which will be funded by employers. The College's portion of unfunded pension liability for the Plan as at June 30, 1997 was estimated at $139,974 (1996 $423,434).

The unfunded pension liability was determined by an actuarial valuation as at December 31, 1996, extrapolated to June 30, 1997. The 1996 unfunded pension liability was determined by extrapolation of a December 31, 1995 actuarial valuation extrapolated to June 30, 1996. The liability is to be eliminated on or before December 31, 2036.

The unallocated pension valuation adjustment recognizes in the current period, the effect of government restructuring on the pension liability. Government restructuring resulted in reduced

plan membership, wage restraints and changes to the investment strategies of the Plan.

The change in the unfunded pension liability for the year is as follows:

Unallocated pension valuation adjustment	$ 222,700
Instruction	35,503
Institutional support	25,257
	$ 283,460

Note 7 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the externally funded portion of capital assets which will be recognized as earned capital contributions in future periods. Changes in the unamortized deferred capital contributions balance are as follows:

	1997	1996
Balance at beginning of year	$ 8,462,873	$ 8,996,236
Add amount transferred from deferred contributions (Note 5)	90,639	-
Less amount earned and transferred to revenue	(525,180)	(533,363)
Balance at end of year	$ 8,028,332	$ 8,462,873

Note 8 Endowments

	1997	1996
Balance at beginning of year	$ 1,155,636	$ 1,116,163
Donations received	460	21,085
Capitalized investment income	14,413	18,388
	14,873	39,473
Balance at end of year	$ 1,170,509	$ 1,155,636

During the year, investment income earned on endowments was recorded according to stipulations as follows:

	1997	1996
Income earned during the year	$ 74,475	$ 74,001
Recognized as revenue	$ 60,029	$ 42,231
Capitalized as endowment principal	14,413	18,388
Increase in deferred contributions	33	13,382
	$ 74,475	$ 74,001

Note 9 Operating Grants

	1997	1996
Province of Alberta:		
Base	$ 5,422,106	$ 5,589,800
Access funding	41,440	42,868
Learning enhancement grant	15,891	-
Institutional reporting funding	9,098	-
Other:		
Human Resources Development Canada	220,268	-
Alberta Foundation for the Arts	23,339	24,567
Canada Council	150	11,000
	$ 5,732,292	$ 5,668,235

Note 10 Expense by Object

	1997	1996
Salaries, benefits and allowances (Note 11)	$ 5,926,966	$ 5,485,983
Supplies and services	2,146,855	1,859,348
Bookstore - cost of sales	397,787	366,909
Minor capital	29,417	105,713
Amortization and loss (gain) on disposal of capital assets	651,682	615,217
	$ 9,152,707	$ 8,433,170

Note 11 Salaries, Benefits and Allowances

	1997				1996	
	Full-time Equivalent	Salary[a]	Benefits and Allowances[b]	Total	Full-time Equivalent	Total
Board of Governors						
Chair	1.0	$ 1,879	$ 183	$ 2,062	1.0	$ 1,787
Members	9.0	9,918	-	9,918	9.0	6,590
President[c]	1.0	79,175	31,361	110,536	1.0	107,436
Vice President, Administration	0.5	36,611	8,104	44,715	1.0	80,871
Academic Deans						
Core/Liberal Studies	1.1	63,997	8,734	72,731	1.0	61,613
Design	1.0	57,933	4,224	62,157	1.0	60,436
Fine Arts	1.0	57,933	5,789	63,722	1.0	62,124
Other managers (average 1997 $55,184, 1996 $52,296)	13.9	653,452	113,602	767,054	12.4	648,476
Other salaried staff						
Faculty (average 1997 $56,330, 1996 $58,141)	43.8	2,126,945	340,313	2,467,258	42.7	2,482,635
Support (average 1997 $39,810, 1996 $36,658)	31.6	1,056,840	201,169	1,258,009	30.5	1,118,062
Non-salaried wage staff(d)	34.9	804,545	85,753	890,298	34.5	840,491
	138.8	4,949,228	799,232	5,748,460	135.1	5,470,521
Other payroll(e)						
Severance pay and retirement allowance				81,409		-
Increase in vacation accrual				31,039		12,348
Decrease in pension liability				(60,760)		(121,566)
Sabbaticals				126,818		124,680
	138.8	$ 4,949,228	$ 799,232	5,926,966	135.1	5,485,983
Unallocated pension valuation adjustment (Note 6)				(222,700)		-
				$ 5,704,266		$ 5,485,983

(a) Salary includes regular base pay, overtime, honoraria and other direct remuneration.

[(b)] Benefits and allowances include the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, unemployment insurance, health care, extended health and dental coverage, group life insurance, accidental disability and dismemberment, and long-term disability plans. Benefits and allowances also include a housing allowance for the President and car allowances for the Vice President, Administration and one other manager.

[(c)] Automobile provided; no dollar amount included in benefits and allowances figure.

[(d)] Non-salaried wage staff includes sessional and replacement faculty (30.0 FTE) and support staff, models and monitors (4.9 FTE).

[(e)] Faculty and management on sabbatical totaling 2.9 FTE (1996 3.8 FTE) received 76% of their regular base pay.

Note 12 Other Costs

Other costs are the direct salary costs incurred by a department of the College for purchase, receipt and distribution of materials for instructional, operational and retail purposes and for the receipt of all College cash. Other costs also include the Bookstore cost of sales and direct Bookstore operating costs.

Note 13 Recovery of Investment Previously Written Down

The College holds two unsecured promissory notes from Olympia and York Exchange Tower Limited with a total face value of $361,679. The maturity date of these notes was March 20, 1992. The Olympia and York Group of companies was placed under court protection and a trustee appointed to manage the company on behalf of creditors. In 1992, management estimated that these notes had no realizable value and charged the value of the notes against operations in the 1991/92 fiscal year. An amount of $206,465 was received in partial recovery of this note during the 96/97 fiscal year.

Note 14 Budget

The budget was approved by the Board of Governors on June 24, 1996. No budget has been established for earned capital contributions or amortization.

Note 15 Changes in Non-cash Working Capital

	1997	1996
Accounts receivable and prepaid expenses	$ 25,142	$ 3,602
Inventories	(7,441)	(12,449)
Trade accounts payable	61,116	4,805
Deferred fees	(8,549)	10,590
Deferred non-capital contributions	237,127	11,286
Accrued vacation pay	31,039	12,348
	$ 338,434	$ 30,182

Note 16 Comparative Figures

Certain 1996 comparative figures have been reclassified to conform to 1997 presentation.

Note 17 Approval of Financial Statements

These financial statements were approved by the Board of Governors on December 16, 1997.

FAIRVIEW COLLEGE
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 1997

AUDITOR'S REPORT

To the Board of Governors of
Fairview College

I have audited the consolidated statement of financial position of Fairview College as at June 30 , 1997 and the consolidated statements of operations, changes in net assets and changes in financial position for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the College as at June 30, 1997 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Original signed by
Peter Valentine, FCA
Auditor General

Edmonton, Alberta
November 25, 1997

FAIRVIEW COLLEGE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 1997

	1997	1996
ASSETS		
Current:		
Cash (Note 3)	$ 1,277,960	$ 1,262,570
Accounts receivable	769,086	625,023
Inventories (Note 4)	586,779	453,280
Prepaid expenses	94,738	38,687
	2,728,563	2,379,560
Investments (Note 5)	6,653,979	7,537,681
Capital assets (Note 6)	21,665,500	21,540,743
	$ 31,048,042	$ 31,457,984
LIABILITIES AND NET ASSETS		
Current:		
Accounts payable	$ 952,065	$ 886,147
Accrued vacation pay	706,000	695,000
Deferred revenue (Note 7)	252,801	163,692
Deferred contributions (Note 8)	575,695	466,586
	2,486,561	2,211,425
Long-term:		
Pension liability (Note 9)	210,618	603,000
Deferred salaries (Note 10)	505,771	461,411
Unamortized deferred capital contributions (Note 11)	15,286,277	15,668,772
	18,489,227	18,944,608
Net assets:		
Endowments (Note 12)	1,532,183	1,469,460
Investment in capital assets	6,379,223	5,871,971
Net assets internally restricted (Note 13)	4,302,056	4,902,827
Accumulated excess of revenue over expense	345,353	269,118
	12,558,815	12,513,376
	$ 31,048,042	$ 31,457,984

The accompanying notes are part of these consolidated financial statements.

FAIRVIEW COLLEGE
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 1997

	1997	1996
Revenue:		
Grants (Note 14)	$ 10,752,972	$ 10,838,276
Other sales, rentals and services	1,880,369	1,867,087
Tuition and related fees	1,587,634	1,527,311
Educational service contracts	472,237	647,937
Investment earnings (Note 15)	434,008	491,598
Donations (Note 8)	236,563	205,516
	15,363,783	15,577,725
Amortization of deferred capital contributions (Note 11)	1,237,111	1,290,905
	16,600,894	16,868,630
Expense:		
Instruction	6,548,142	6,722,265
Academic support	2,893,462	2,513,438
Facility operations and maintenance	2,120,164	2,041,132
Institutional support	1,976,452	2,196,700
Amortization of capital assets	1,611,886	1,583,003
Ancillary service cost	1,006,727	1,086,491
Student services	587,278	505,778
Computing services	266,449	250,191
Change in unfunded pension liability	(392,382)	(183,000)
	16,618,178	16,715,998
Excess of revenue over expense	$ (17,284)	$ 152,632

FAIRVIEW COLLEGE
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 1997

	1997					1996
	Endowments	Investment in Capital Assets	Net Assets Internally Restricted	Accumulated Excess of Revenue over Expense	Total	Total
Excess of revenue over expense	$ -	$ -	$ -	$ (17,284)	$ (17,284)	$ 152,632
Endowment contributions	62,723	-	-	-	62,723	133,022
Transfers for:						
Acquisition of internally funded capital assets	-	916,521	-	(916,521)	-	-
Disposal of internally funded capital assets	-	(3,278)	-	3,278	-	-
Amortization of internally funded capital assets	-	(405,991)	-	405,991	-	-
Board appropriations/transfers	-	-	(600,771)	600,771	-	-
Increase in net assets	62,723	507,252	(600,771)	76,235	45,439	285,654
Net assets at beginning of year	1,469,460	5,871,971	4,902,827	269,118	12,513,376	12,227,722
Net assets at end of year	$ 1,532,183	$ 6,379,223	$ 4,302,056	$ 345,353	$ 12,558,815	$ 12,513,376

FAIRVIEW COLLEGE
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 1997

	1997	1996
Operating activities:		
Excess of revenue over expense	$ (17,284)	$ 152,632
Add (deduct) non-cash transactions:		
Amortization of capital assets	1,611,886	1,583,003
Change in pension liability	(392,382)	(183,000)
(Gain) loss on disposal of capital assets	(11,562)	16,867
Amortization of deferred capital contributions	(1,237,111)	(1,290,905)
	(46,453)	278,597
Changes in non-cash working capital (Note 18)	(14,117)	609,326
Cash generated from operating activities:	(60,570)	887,923
Investing activities:		
Acquisition of capital assets	(1,771,137)	(821,656)
Proceeds on disposal of capital assets	46,056	44,758
Purchase of investments	(4,853,979)	(4,724,270)
Disposal of investments	5,737,681	5,034,735
Cash applied to investing activities	(841,379)	(466,433)
Financing activities:		
Capital contributions (Note 8)	854,616	72,208
Endowment contributions	62,723	130,346
Cash generated from financing activities	917,339	202,554
Increase in cash	15,390	624,044
Cash at beginning of year	1,262,570	638,526
Cash at end of year	$ 1,277,960	$ 1,262,570

FAIRVIEW COLLEGE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 1997

Note 1 Authority and Purpose

Fairview College (the "College") operates under the authority of the Colleges Act, Chapter C-18, Revised Statutes of Alberta 1980, as amended. The College is a registered charity under s.149 of the Income Tax Act (Canada) and is exempt from the payment of income taxes.

The College, a board governed multi-campus regional college, serves primarily northwestern Alberta with programs leading to careers in agriculture, business administration, trades and related fields.

Note 2 Significant Accounting Policies and Reporting Practices

(a) Basis of Presentation

These consolidated financial statements include the accounts of Fairview College Foundation (the "Foundation") which operates under the Societies Act of Alberta. The Foundation was incorporated on November 27, 1986, raises funds for the use of the College and is a registered charitable organization for income tax purposes.

(b) Revenue Recognition

Operating grants are recognized in the period they become receivable. Operating grants received for a future period are deferred until that future period and are reflected as deferred contributions.

Externally restricted capital contributions are deferred until the amounts are invested in capital assets. Amounts invested in amortizable capital assets are transferred to unamortized deferred capital contributions and are recognized as revenue in the periods in which the amortization expense for these capital assets is recorded. Amounts invested in non-amortizable capital assets are recorded as direct increases in net assets.

Externally restricted non-capital contributions and restricted interest are deferred and recognized as revenue in the period in which the related expenses are incurred. Externally restricted endowment contributions are recorded as direct increases in net assets.

Unrestricted contributions are recognized as revenue when they are received. Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

Amounts received for tuition fees and services are recognized as revenue at the time the goods are delivered or the services are provided.

(c) Endowments

Endowments represent restricted donations and amounts designated as endowments by the Board of Governors. Principal is to be held intact. Interest earned on endowments must be used in accordance with the conditions imposed by the donors' terms of reference or by Board policy.

(d) Net Assets Internally Restricted

Net assets internally restricted represent amounts set aside by the College Board of Governors to be used for designated purposes.

(e) Investments

Investments are recorded at cost. Gains and losses on investments are recognized in the period of disposal, or when there is permanent impairment in the value of an investment.

(f) Capital Assets

Capital asset acquisitions are recorded at cost, except that certain capital assets transferred by the Province to the College were recorded at fair value as at June 1983 and June 1986, as determined by independent appraisals.

Donated capital assets are recorded at fair value when a fair value can be reasonably determined.

Capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Building and site improvements	10 to 40 years
Heavy equipment	25 years
Furnishings and other equipment	10 years
Automotive and computer equipment	5 years

(g) Inventories

Inventories held for resale are valued at the lower of cost and net realizable value. Inventories held for consumption are valued at the lower of cost and replacement value.

(h) Pension Liability and Expense

The College and its eligible employees participate in the Local Authorities Pension Plan.

The actuarial valuations for the pension plans were determined using the projected benefit method prorated on service. Assumptions used in the valuations are based on the Pension Board's best estimate of future events. The plans future experience will differ, perhaps significantly, from the assumptions. Any differences between the actuarial assumptions and future experience will be deferred and amortized as part of the pension expenses over the expected average remaining service life of the employee group.

Pension expense includes the cost of pension benefits earned by employees during the year, interest on the College's share of the unfunded pension liability, the amortization of deferred adjustment over the expected average remaining service life of employees which relate to the long term, adjustments to the pension obligation recognized immediately if there is reasonable assurance that a gain or loss has been realized, and the effect of the change in the ratio used to allocate the plan's total unfunded liability to participating entities. The net expense or recovery is included as part of employee costs in program expenses.

Note 3 Cash

Cash includes deposits in the Consolidated Cash Investment Trust Fund in the amount of $1,194,506 and deposits in miscellaneous bank accounts of $83,454 (1996 $1,195,522 and $67,048 respectively). The fund is being managed with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term and mid-term fixed income securities with a maximum term to maturity of five years. The College earns interest on its daily cash balance at the average rate of earnings of the Fund, which varies depending on prevailing market interest rates.

Note 4 Inventories

Inventories are summarized as follows:

	1997	1996
Livestock	$ 226,795	$ 217,547
Bookstore	236,965	186,905
Farm	15,999	9,508
Resale trades	18,505	10,487
Others	88,515	28,833
	$ 586,779	$ 453,280

Note 5 Investments

Investments consist of:

	1997			1996	
	Effective Yield	Cost	Market Value	Cost	Market Value
Maturing within 1 year:					
Guaranteed investment certificates		$ 3,274,270	$ 3,274,270	$ 3,853,980	$ 3,853,980
Mortgage backed securities		-	-	383,701	389,690
Fixed income		-	-	-	-
Sub-total	2.45%	3,274,270	3,274,270	4,237,681	4,243,670
Maturing from 1 to 5 years:					
Guaranteed investment certificates		3,379,709	3,379,709	2,800,000	2,800,000
Mortgage backed securities		-	-	-	-
Fixed income		-	-	500,000	505,470
Sub-total	6.12%	3,379,709	3,379,709	3,300,000	3,305,470
Total	5.78%	$ 6,653,979	$ 6,653,979	$ 7,537,681	$ 7,549,140

Term to maturity of investments is based upon the contractual maturity of the security. Effective yield represents the rate which discounts future cash receipts to the carrying value of the investments at June 30, 1997.

Note 6 Capital Assets

(a) Summary of Cost and Net Book Value

	1997			1996
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land and improvements	$ 1,056,870	$ -	$ 1,056,870	$ 1,047,670
Buildings and site improvements	50,791,940	31,576,733	19,215,207	19,172,137
Furnishings, equipment and vehicles	8,374,883	6,981,460	1,393,423	1,320,936
	$ 60,223,693	$ 38,558,193	$ 21,665,500	$ 21,540,743

(b) Purchase Option

As part of the transfer of certain capital assets to the College by the Province in 1978 the Province retained an option to repurchase all or any part of the transferred land and buildings for the nominal amount of $1 per purchase. The recorded net book value of the capital assets transferred to the College is $3,055,530 (1996 $3,206,695).

(c) Buildings and Site Improvements

In 1994, the College entered into an agreement with a third party which gives the College the right to use a portion of a certain building in perpetuity. In consideration, the College agreed to pay $300,000 which comprises a portion of the construction costs, and to pay an amount of $1 annually.

This building is included in buildings and site improvements at a net book value of $271,806 (1996 $281,316).

Note 7 Deferred Revenue

	1997	1996
Tuition fees, memberships and rentals	$ 173,000	$ 98,570
Programs in progress	79,801	65,122
	$ 252,801	$ 163,692

Note 8 Deferred Contributions

Deferred contributions represent unspent contributions externally restricted for either capital or non-capital purposes.

	1997	1996
Contributions received during the year:		
Grants	$ 1,663,362	$ -
Donations	173,249	235,699
Investment earnings (Note 15)	130,240	125,713
Transferred to revenue:		
Grants	(766,563)	-
Donations	(236,563)	(205,516)
Transferred to unamortized deferred capital contributions (Note 11)	(854,616)	(72,208)
Increase during the year	109,109	83,688
Balance at beginning of year	466,586	382,898
Balance at end of year	$ 575,695	$ 466,586
The balance consists of funds restricted for:		
Scholarships and bursaries	$ 461,822	$ 466,586
Capital projects	113,873	-
	$ 575,695	$ 466,586

Note 9 Pension Liability

Fairview College participates with other employers in the Local Authorities Pension Plan. This Plan provides pensions for College's employees based on their years of service and earnings.

The College has an unfunded pension liability for this plan as at June 30 which was estimated as follows:

	1997	1996
Local Authorities Pension Plan	$ 210,618	$ 603,000

The total unfunded pension liability for this plan as at June 30, 1997 was determined by actuarial valuation as at December 31, 1996, and extrapolated to June 30, 1997. (The 1996 comparative was determined using the December 31, 1995 actuarial valuation extrapolated forward to June 30, 1996).

The actuarial valuations were determined using the projected benefit method prorated on service. Assumptions used in the valuations are based on each Pension Board's best estimate of future events. The plan's future experience will inevitably vary, perhaps significantly, from the assumptions. Any difference between the actuarial assumptions and future experience will emerge as gains or losses in future valuations. Gains and losses which relate to the long term are amortized over the expected average remaining service life of the employee group. Gains and losses for which there is reasonable assurance regarding their measurement and realization are recognized in income immediately.

The Public Sector Pension Plans Act specifies the basis to determine the amount of the total unfunded liability for each plan that will be funded by employers. The College's portion of those employers' liabilities was based on the College's percentage of the total pensionable payroll of all employers in the plan.

Note 10 Deferred Salaries

	1997	1996
Deferred salary plans	$ 505,771	$ 451,533
Residence Living Council	-	9,878
	$ 505,771	$ 461,411

The deferred salary plans are funded solely by monthly contributions made by participating employees and interest earned on these contributions. Participants are entitled to benefits under the plans after active service with the College is terminated.

Note 11 **Unamortized Deferred Capital Contributions**

Unamortized deferred capital contributions represent externally restricted capital contributions which have been invested in amortizable capital assets. Changes in the unamortized deferred capital contributions balance are as follows:

	1997	1996
Balance at beginning of year	$ 15,668,772	$ 16,887,469
Add amount transferred from deferred contributions (Note 8)	854,616	72,208
Less amount amortized to revenue	(1,237,111)	(1,290,905)
Balance at end of year	$ 15,286,277	$ 15,668,772

Note 12 **Endowments**

	Opening Balance	Current Year Contributions	Closing Balance
Externally restricted	$ 539,976	$ 62,723	$ 602,699
Internally restricted	929,484	-	929,484
	$ 1,469,460	$ 62,723	$ 1,532,183

Note 13 **Net Assets Internally Restricted**

Net assets restricted by the Board are held for the following purposes:

	1997	1996
Capital renovations and acquisitions	$ 2,815,819	$ 3,361,723
Ancillary operations	998,779	980,843
Specific operating initiatives	487,458	560,261
	$ 4,302,056	$ 4,902,827

These amounts are not available for other purposes without the approval of the Board of Governors.

Note 14 **Grants**

	1997	1996
Province of Alberta, Department of Advanced Education and Career Development		
Base operating	$ 10,013,920	$ 10,306,773
Conditional funding	739,052	531,503
	$ 10,752,972	$ 10,838,276

Note 15 Investment Earnings

	1997	1996
Investment earnings on unrestricted resources	$ 194,893	$ 232,548
Investment earnings on internally restricted balances	239,115	259,050
Investment earnings on endowments	130,240	125,713
Total investment earnings for the period	564,248	617,311
Less amounts deferred in the year (Note 8)	(130,240)	(125,713)
Total investment earnings recognized as revenue	$ 434,008	$ 491,598

Note 16 Salaries and Benefits

	1997				1996	
	Number of Individuals[1]	Salaries[2]	Benefits and Allowances[3]	Total	Number of Individuals[1]	Total
Board members:						
Chair	1	$ 6,462	$ 186	$ 6,648	1	$ 5,590
Other	9	20,376	504	20,880	9	23,006
President[4]	1	75,486	7,031	82,517	1	91,511
Vice Presidents:						
Academic	1	76,528	9,757	86,285	1	81,792
Student and College Services[5]	1	62,269	11,023	73,292	1	81,773
Deans/Directors:						
Dean of Trades Technology[6]	1	29,446	4,369	33,815		
Dean of Ag Technology[6]	1	56,388	7,849	64,237	1	74,165
Dean of Bus. & Acad. Studies	1	64,432	8,073	72,505	1	70,265
Director of Physical Plant	1	64,432	9,799	74,231	1	70,201
Director of Financial Affairs	1	64,432	8,218	72,650	1	70,201
Administrative (average 1997 $53,374 1996 $52,662)	15	683,884	116,730	800,614	14	737,268
Other full-time staff:[7]						
Academic (average 1997 $56,464 1996 $53,259)	85	4,050,637	748,835	4,799,472	85	4,527,016
Support (average 1997 $31,147, 1996 $33,822)	85	2,242,512	404,956	2,647,468	90	2,774,015
Other part-time staff:						
Academic (average 1997 $39,990, 1996 $41,133)[8]	8	290,838	29,082	319,920	15	616,997
Support (average 1997 $33,721, 1996 $27,276)	17	522,323	50,928	573,251	11	300,037
Other part-time and casual staff[9]		296,416	20,605	317,021		371,958
		$ 8,606,861	$ 1,437,945	10,044,806		9,895,795
Other:						
Severance pay				272,204		43,306
Decrease in pension liability				(392,382)		(183,000)
Salaries and benefits				$ 9,924,628		$ 9,756,101

(1) Number of individuals is stated as full-time equivalents for administrative, other full-time and other part-time staff.

(2) Salaries include regular pay, overtime pay, vacation pay, fee-for-service payments, shift differential and Board honoraria.

(3) Benefits and allowances represent the College's share of employee benefits including Canada Pension Plan, Unemployment Insurance, pensions, life insurance, health care, dental coverage, extended health, northern travel and housing allowances, vacation payouts and certain professional development expenditures.

(4) The position of President was occupied for a total of 11 months in 1997. The former President resigned as of March 20, 1997. The position was filled May 1, 1997.

(5) The position of Vice President, Student and College Services was occupied for a 10 month period in 1997.

(6) The position of Dean of Trades Technology was occupied for a 6 month period in 1997. Prior to this the position of Dean of Trades Technology and Dean of Agriculture Technology were combined.

(7) Other full-time staff includes permanent employees as well as individuals on contracts receiving full monthly pay for part of the year.

(8) Other part-time academic staff includes fee-for-service payments for credit instruction.

(9) Other part-time and casual staff consists of students, tutors and fee-for-service payments for non-credit instruction.

Note 17 Budget and Comparison to Actual

On May 16, 1996, the Board of Governors approved a revenue and expense budget. Revenues and expenses, budget to actual, by object are summarized as follows:

	1997		1996
	Budget	Actual	Actual
Revenue:			
Grants	$ 9,806,873	$ 10,752,972	$ 10,838,276
Other sales, rentals and services	2,079,141	1,880,369	1,867,087
Tuition and related fees	1,106,742	1,587,634	1,527,311
Educational service contracts	384,983	472,237	647,937
Investment earnings	219,000	434,008	491,598
Donations	-	236,563	205,516
Amortization of deferred capital contributions	-	1,237,111	1,290,905
Total revenue	13,596,739	16,600,894	16,868,630
Expense:			
Salaries and benefits (Note 16)	9,066,990	9,924,628	9,756,101
Supplies and services	2,817,649	2,852,713	3,289,688
Travel and advertising	399,186	626,757	619,923
Repairs and maintenance	574,898	748,356	763,666
Telephone and utilities	738,016	853,838	703,617
Amortization of capital assets	-	1,611,886	1,583,003
Total expense	13,596,739	16,618,178	16,715,998
Excess of revenue over expense	$ -	$ (17,284)	$ 152,632

The above budget was prepared on an operating revenue and expenditure basis, not including budget amounts for:

a) donations, scholarships and bursaries;
b) operations of the Fairview College Foundation;
c) amortization of deferred capital contributions;
d) amortization of capital assets;
e) loss or gain on disposal of capital assets;
f) capital expenditures, including buildings and site repairs;
g) investment income earned on capital funds and internally restricted net assets.

Note 18 Changes in Non-Cash Working Capital

	1997	1996
Accounts receivable	$ (144,063)	$ 70,804
Inventories	(133,499)	26,969
Prepaid expenses	(56,051)	14,220
Accounts payable	65,918	225,124
Accrued vacation pay	11,000	70,978
Deferred revenue	89,109	56,751
Funds held on behalf of others	44,360	58,116
Deferred contributions	109,109	86,364
	$ (14,117)	$ 609,326

Note 19 Comparative Figures

Certain 1996 figures have been reclassified to conform to 1997 presentation.

Note 20 Approval of Financial Statements

These financial statements were reviewed by management and the Audit Committee and recommended for approval by the Board of Governors.

GRANDE PRAIRIE REGIONAL COLLEGE
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 1997

AUDITOR'S REPORT

To the Board of Governors of
Grande Prairie Regional College

I have audited the consolidated statement of financial position of Grande Prairie Regional College as at June 30, 1997 and the consolidated statements of operations, changes in net assets and changes in financial position for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the College as at June 30, 1997 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Original signed by
Peter Valentine, FCA
Auditor General

Edmonton, Alberta
December 1, 1997

GRANDE PRAIRIE REGIONAL COLLEGE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 1997

	1997	1996
ASSETS		
Current:		
Cash and temporary investments	$ 1,291,951	$ 988,039
Accounts receivable	1,036,611	882,147
Inventories (Note 4)	209,679	163,378
Prepaid expenses	3,798	18,457
	2,542,039	2,052,021
Investments (Note 5)	3,041,548	2,727,855
Capital assets (Note 6)	38,974,108	40,233,812
	$ 44,557,695	$ 45,013,688
LIABILITIES AND NET ASSETS		
Current:		
Accounts payable	$ 1,515,404	$ 1,036,867
Accrued vacation pay	981,599	1,114,970
Unearned revenue (Note 7)	84,894	92,901
Self-funded leave plan (Note 8)	24,380	62,219
Deferred contributions (Note 9)	657,207	584,826
Current portion of capital lease liability	-	1,526
	3,263,484	2,893,309
Pension obligation (Note 11)	315,834	1,002,555
Unamortized deferred capital contributions (Note 12)	36,489,282	37,887,581
	36,805,116	38,890,136
Net assets:		
Endowments (Note 13)	1,974,091	1,872,269
Investment in capital assets	2,484,826	2,344,705
Accumulated excess (deficiency) of revenue over expense	30,178	(986,731)
	4,489,095	3,230,243
	$ 44,557,695	$ 45,013,688

The accompanying notes are part of these consolidated financial statements.

GRANDE PRAIRIE REGIONAL COLLEGE
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 1997

	1997 Budget	1997 Actual	1996 Actual
Revenue:			
Grants (Note 14)	$ 13,209,851	$ 13,699,452	$ 14,270,923
Tuition fees	3,028,761	3,387,592	2,659,161
Sales, rentals and services (Note 15)	1,196,055	1,504,329	1,475,362
Contract programs	1,137,518	1,387,693	1,022,388
Investment	210,000	264,744	236,576
Donations and fund raising	216,355	552,127	382,737
Other student fees	140,500	183,256	161,129
Miscellaneous	7,700	84,213	50,729
	19,146,740	21,063,406	20,259,005
Amortization of deferred capital contributions (Note 12)	1,676,000	1,601,360	1,596,363
	20,822,740	22,664,766	21,855,368
Expense (Note 16):			
Direct instruction	10,565,665	11,127,418	10,742,839
Institutional support	4,997,537	5,239,348	4,943,568
Academic support	979,257	1,082,625	1,122,978
Cost of sales and service (Note 15)	1,164,423	964,802	1,129,374
Student services	872,030	839,431	905,514
Scholarships	125,000	105,020	142,423
Amortization of capital assets	2,022,000	2,105,068	2,048,205
Loss on disposal of capital assets	-	19,814	7,148
	20,725,912	21,483,526	21,042,049
Excess of revenue over expense	$ 96,828	$ 1,181,240	$ 813,319

GRANDE PRAIRIE REGIONAL COLLEGE
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 1997

	1997 Endowments	1997 Investment in Capital Assets	1997 Accumulated Excess of Revenue over Expense	1997 Total	1996 Total
Excess of revenue over expense	$ -	$ -	$ 1,181,240	$ 1,181,240	$ 813,319
Endowment contributions (Note 13)	77,612	-	-	77,612	52,186
Transfers:					
Payment of capital lease principal	-	1,526	(1,526)	-	-
Acquisition of internally funded capital assets	-	674,602	(674,602)	-	-
Disposal of internally funded capital assets	-	(14,742)	14,742	-	-
Amortization of internally funded capital assets	-	(521,265)	521,265	-	-
Endowment allocation (Note 13)	24,210	-	(24,210)	-	-
Increase in net assets	101,822	140,121	1,016,909	1,258,852	865,505
Net assets at beginning of year	1,872,269	2,344,705	(986,731)	3,230,243	2,364,738
Net assets at end of year	$ 1,974,091	$ 2,484,826	$ 30,178	$ 4,489,095	$ 3,230,243

GRANDE PRAIRIE REGIONAL COLLEGE
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 1997

	1997	1996
Operating activities:		
Excess of revenue over expense	$ 1,181,240	$ 813,319
Add(deduct) non-cash transactions:		
Amortization of capital assets	2,105,068	2,048,205
Loss on disposal of capital assets	19,814	7,148
Amortization of deferred capital contributions	(1,601,360)	(1,596,363)
Amortization of investment discount	132,590	(38,853)
Change in pension liability	(686,721)	(331,445)
	1,150,631	902,011
Changes in non-cash working capital (Note 17)	185,595	(265,158)
Cash generated from operating activities	1,336,226	636,853
Investing activities:		
Proceeds on disposal of capital assets	4,672	29,858
Acquisition of capital assets	(869,850)	(670,766)
Purchase of investments	(4,547,704)	(812,596)
Disposal of investments	4,101,421	774,843
Cash applied to investing activities	(1,311,461)	(678,661)
Financing activities:		
Payment of capital lease principal	(1,526)	(15,893)
Endowment contributions (Note 13)	77,612	52,186
Capital contributions (Note 12)	203,061	142,679
Cash generated from financing activities	279,147	178,972
Increase in cash and temporary investments	303,912	137,164
Cash and temporary investments at beginning of year	988,039	850,875
Cash and temporary investments at end of year	$ 1,291,951	$ 988,039

GRANDE PRAIRIE REGIONAL COLLEGE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 1997

Note 1 Authority and Purpose

Grande Prairie Regional College operates under the authority of the Colleges Act, Chapter C-18, Revised Statutes of Alberta 1980, as amended. The College is a registered charity and is therefore exempt from the payment of income taxes under s.149 of the Income Tax Act (Canada).

The College's purpose is to provide students with university transfer, on-campus degree completion, career training, post-secondary preparatory and continuing education programs that contribute to the economic and social well-being of the region.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

(a) Basis of Presentation

These consolidated financial statements include the accounts of Grande Prairie Regional College Foundation (the "Foundation"), which operates under the Alberta Companies Act and is a registered charitable organization for income tax purposes. The Foundation's activities are directed to the support and advancement of the College. A summary of the Foundation's activities is disclosed in Note 19.

(b) Revenue Recognition

Unrestricted contributions are recognized as revenue in the current period.

Externally restricted non-capital contributions are recorded as deferred contributions and recognized as revenue in the period the related expenses are incurred. Non-capital donations of materials and services that would otherwise have been purchased are accounted for as externally restricted non-capital contributions, at fair value when a fair value can be reasonably estimated.

Externally restricted capital contributions are recorded as deferred contributions until the related capital asset is acquired. Contributions for capital assets that will be amortized are transferred to unamortized deferred capital contributions in the period the asset is acquired. Contributions for capital assets that will not be amortized, such as land, are not transferred to unamortized deferred capital contributions or recognized as revenue, but are recorded as direct increases in net assets in the period the asset is acquired. Donations of capital assets that would otherwise have been purchased are accounted for as externally restricted capital contributions, at fair value when a fair value can be reasonably estimated.

Unamortized deferred capital contributions are recognized as revenue in the periods the related capital assets are amortized. Unamortized deferred capital contributions relating to capital assets disposed of are recognized as revenue in the period of disposal, provided that all restrictions have been complied with.

Externally restricted contributions made for endowment purposes are not recognized as revenue, but are recorded as direct increases in net assets.

Investment earnings on unrestricted contributions and internally restricted endowments are recognized as revenue in the current period. Investment earnings on externally restricted contributions are accounted for on the same basis as the related contributions. Investment earnings on externally restricted endowments are recorded as deferred contributions and recognized as revenue in the period the related expenses are incurred.

Government grants are accounted for as unrestricted or externally restricted contributions in accordance with the terms of funding.

Amounts received for tuition and other student fees, contract programs, and sales, rentals and services are recorded as unearned revenue and recognized as revenue in the period the goods are delivered or the services are provided.

(c) Endowments

Endowments represent restricted donations and amounts designated as endowments by the Board of Governors. Principal is to be held intact. Interest earned on endowments must be used in accordance with the conditions imposed by the donor's terms of reference or by Board policy.

(d) Expenses

Direct instruction encompasses all formal educational and instructional program elements. Institutional support includes all activities that provide College-wide support to other programs. Academic support includes all activities that directly support the educational and instructional elements such as academic, administration, library and audio visual services. Student services includes all activities or services to the student body of the College.

(e) Investments

Investments are recorded at cost or amortized cost where applicable. Amortization of premium or discount is calculated on an effective yield basis from acquisition date to maturity date.

(f) Capital Assets

Capital assets acquisitions are recorded at cost, except donated assets which are recorded at fair value when a fair value can be reasonably determined.

Capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	25 to 40 years
Site improvements	25 years
Furnishings and equipment	5 to 15 years
Vehicles	5 years
Library materials	10 years
Leasehold improvements	Lesser of 5 years or the term of the lease

(g) Art Collection

The College holds a collection of approximately 2,000 works of donated art, consisting of sketches, limited edition prints, photographs, and some original paintings. The collection is held by the College for educational use and for public exhibition. The Board of Governors passed a resolution requiring the art to be cared for and preserved.

Collection artworks are not recognized as assets in the statement of financial position. Any proceeds from their sale or disposal may be used only to acquire other art for the collection or to care for the existing collection. Purchased art added to the collection will be expensed in the year of acquisition. To date, no artwork has been purchased for this collection.

(h) Inventories

Inventories for resale are valued at the lower of cost and estimated net realizable value. Cost is determined on a first-in, first-out basis. Inventories held for consumption are valued at the lower of cost and replacement value.

(i) Pension Liability and Expense

The College and its eligible employees participate in the Local Authorities Pension Plan.

The actuarial valuations for the pension plans were determined using the projected benefit method prorated on service. Assumptions used in the valuations are based on the Pension Board's best estimate of future events. The plan's future experience will differ, perhaps significantly, from the assumptions. Any differences between the actuarial assumptions and future experience will be deferred and amortized as part of the pension expense over the expected average remaining service life of the employee group.

Pension expenses include the cost of pension benefits earned by employees during the year; interest on the College's share of the unfunded pension liability; the amortization of deferred adjustments over the expected average remaining service life of employees which relate to the long term; adjustments to the pension obligation are recognized immediately if there is reasonable assurance that a gain or loss has been realized; and the effect of the change in the ratio used to allocate the plan's total unfunded liability to participating entities. The net expense or recovery is included as part of employee costs in program expenses.

Note 3 Change in Accounting Policy

The 1996 figures have been restated to reflect a change in the accounting policy for employer-paid benefits on accrued vacation pay. In the prior year, these benefits were not included in the accrued vacation pay liability.

The effect of this change on the 1996 comparative figures is to decrease expense and increase the excess of revenue over expense by $2,582 and to increase the accumulated deficiency of revenue over expense by $114,099 (1995 $116,681). The effect of the correction on accrued vacation pay is as follows:

	As Previously Reported	Adjustments	As Restated
Balance at beginning of year	$ 1,023,518	$ 116,681	$ 1,140,199
Decrease during the year	(22,647)	(2,582)	(25,229)
Balance at end of year	$ 1,000,871	$ 114,099	$ 1,114,970

Note 4 Inventories

Inventories are summarized as follows:

	1997	1996
Bookstore	$ 193,710	$ 151,552
Duplicating services	8,804	11,826
Purchasing	7,165	-
	$ 209,679	$ 163,378

Note 5 Investments

	1997		1996	
	Book Value	Market Value	Book Value	Market Value
Government of Canada bonds	$ 2,232,575	$ 2,221,355	$ 1,287,998	$ 1,246,080
Province of Alberta bonds	256,707	270,080	269,997	279,666
Other provincial bonds	15,906	17,152	976,697	928,234
Mortgage backed securities	-	-	193,163	197,835
Canadian Banks	536,360	524,329	-	-
	$ 3,041,548	$ 3,032,916	$ 2,727,855	$ 2,651,815

Investments by range of maturity date are as follows:

	1997		
	Cost	Market Value	Effective Yield
Maturity 1 - 5 years	$ 607,584	$ 629,847	6.93%
Maturity 6 - 10 years	538,964	572,736	7.29%
Maturity 11 - 15 years	1,895,000	1,830,333	6.28%
	$ 3,041,548	$ 3,032,916	6.59%

Long term investments are all negotiable securities guaranteed by the Canadian Government or provincial government. The market value may fluctuate with changes in current interest rates. Market values may decrease if interest rates increase and market values may increase if interest rates decrease.

Term to maturity of investments is based upon the contractual maturity of the security. Effective yield represents the rate which discounts future cash receipts to the carrying value of the investments at June 30, 1997.

Note 6 Capital Assets

	1997			1996
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 563,631	$ -	$ 563,631	$ 563,631
Site improvements	1,279,036	916,266	362,770	413,932
Buildings	46,419,985	11,247,433	35,172,552	36,343,164
Furnishings, equipment and vehicles	9,540,264	7,261,424	2,278,840	2,305,425
Library materials	1,340,514	744,199	596,315	607,660
	$ 59,143,430	$ 20,169,322	$ 38,974,108	$ 40,233,812

Note 7 Unearned Revenue

	1997	1996
Tuition and other student fees	$ 65,617	$ 73,624
Contracted programs	19,277	19,277
	$ 84,894	$ 92,901

Note 8 Self-funded leave plan

	1997	1996
Self funded leave plan	$ 24,380	$ 62,219
	$ 24,380	$ 62,219

1996 figure has been restated to exclude amounts held in trust.

Note 9 Deferred Contributions

Deferred Contributions represent unspent funds externally restricted for either capital or non-capital purposes. Changes in the deferred contributions balance are as follows:

	1997	1996
Contributions received during the year, capital	$ 203,061	$ 142,679
Contributions received during the year, non-capital	1,555,730	1,962,672
Transferred to revenue	(1,405,737)	(1,685,302)
Transferred to unamortized deferred capital contributions	(203,061)	(142,679)
Transferred to Endowments (Note 13)	(77,612)	(52,186)
Increase during the year	72,381	225,184
Balance at beginning of year	584,826	359,642
Balance at end of year	$ 657,207	$ 584,826

The balance as at June 30, 1997 is comprised of $601,295 in unspent funds restricted for non-capital purposes and $55,912 restricted for capital purposes. The balance as at June 30, 1996 is comprised of $516,166 in unspent funds restricted for non-capital purposes and $71,660 restricted for capital purposes.

Note 10 Professional Leave

The College has agreed under Article 12 of the collective agreement with the Academic Staff Association to provide a total of 72 months of paid professional leave to members of the Academic Staff Association each contract period (August 15th to August 14th).

At June 30, 1997, the following commitments have been made under the above agreement, for which no provision has been made in the financial statements.

	1997	1996
July 1, 1997 to August 14, 1997	$ 28,695	$ 31,549
August 15, 1997 to August 14, 1998	284,957	229,612
Total professional leave commitment	$ 313,652	$ 261,161

Note 11 Pension Liability

The College participates with other employers in the Local Authorities Pension Plan. This plan provides pensions for the College's employees based on years of service and earnings.

The College had an unfunded pension liability for this plan as at June 30, 1997, which was estimated as follows:

	1997	1996
Local Authorities Pension Plan	$315,834	$1,002,555

The total unfunded pension liability for this plan as at June 30, 1997 was determined by actuarial valuation as at December 31, 1996, and extrapolated to June 30, 1997. (The 1996 comparative was determined using the December 31, 1995 actuarial valuation extrapolated forward to June 30, 1996).

The actuarial valuations were determined using the projected benefit method prorated on service. Assumptions used in the valuations are based on each Pension Board's best estimate of future events. The plan's future experience will inevitably vary, perhaps significantly, from the assumptions. Any difference between the actuarial assumptions and future experience will emerge as gains or losses in future valuations. Gains and losses which relate to the long term are amortized over the expected average remaining service life of the employee group. Gains and losses for which there is reasonable assurance regarding their measurement and realization are recognized in income immediately.

The Public Sector Pension Plans Act specifies the basis to determine the amount of the total unfunded liability for each plan that will be funded by employers. The College's portion of those employers' liabilities was based on the College's percentage of the total pensionable payroll of all employers in the plan.

Note 12 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the funded portion of capital assets which will be recognized as revenue in future periods. Changes in the unamortized deferred capital contributions balance are as follows:

	1997	1996
Balance at beginning of year	$ 37,887,581	$ 39,341,265
Add amount transferred from deferred contributions (Note 9)	203,061	142,679
Less amount amortized to revenue	(1,601,360)	(1,596,363)
Balance at end of year	$ 36,489,282	$ 37,887,581

Note 13 Endowments

Endowments are comprised of donations received by the organization and interest earnings that have been redirected to principal as requested by the donor of the original endowment. Externally restricted endowments are required to be maintained intact in accordance with the donor's wishes.

	Balance at Beginning of	Contributions and Transfers	Reinvested Earnings	Balance at End of Year
Externally Restricted:				
Scholarships fund	$ 650,666	$ 21,966	$ 825	$ 673,457
S.J. Alward library fund	612,570	3,992	-	616,562
Projects fund	72,435	-	-	72,435
Athletic fund	35,825	50,829	-	86,654
	1,371,496	76,787	825	1,449,108
Internally Restricted:				
Scholarships Fund	500,773	24,210	-	524,983
	500,773	24,210	-	524,983
	$ 1,872,269	$ 100,997	$ 825	$ 1,974,091

The S.J. Alward fund contains $397,292 (1996 $393,301) contributed by the Alward estate for use in connection with the College Library. These funds were placed in the library endowment fund by the Board of Governors of the Grande Prairie Regional College Foundation, with the agreement of the Alward estate.

Note 14 Grants

	1997	1996
Department of Advanced Education and Career Development		
Base	$ 12,548,013	$ 12,936,096
Conditional	251,388	67,145
Adult Development Plan	386,978	517,277
Province of Alberta, other	419,091	140,070
	13,605,470	13,660,588
Government of Canada	93,982	610,335
	$ 13,699,452	$ 14,270,923

Note 15 Sales, Rentals and Services

Sales, rentals and services revenue and direct expenses are summarized as follows:

	1997		
	Revenue	Expense	Net
Bookstore	$ 705,073	$ 641,970	$ 63,103
Student residence	332,980	236,194	96,786
Theatre productions and services	38,062	17,719	20,343
Parking	96,745	5,402	91,343
Physical Activity Centre	64,750	57,674	7,076
Other	266,719	5,843	260,876
	$ 1,504,329	$ 964,802	$ 539,527

	1996		
	Revenue	Expense	Net
Bookstore	$ 724,222	$ 664,846	$ 59,376
Student residence	308,751	259,953	48,798
Theatre productions and services	149,944	155,522	(5,578)
Parking	91,709	-	91,709
Physical Activity Centre	58,126	49,053	9,073
Other	142,610	-	142,610
	$ 1,475,362	$ 1,129,374	$ 345,988

Note 16 Expense

Expense is summarized by object of expenditure as follows:

	1997	1996
Salaries and benefits (Note 20)	$ 13,710,137	$ 13,863,204
Supplies and services	3,823,718	3,427,737
Telephones and utilities	685,390	615,535
Travel and advertising	610,931	534,683
Repairs and maintenance	423,448	405,696
Scholarships	105,020	142,423
Amortization of capital assets	2,105,068	2,048,205
Loss on disposal of capital assets	19,814	7,148
	$ 21,483,526	$ 21,044,631

Note 17 Changes in Non-cash Working Capital

	1997	1996
Accounts receivable	$ (154,464)	$ (214,858)
Inventories	(46,301)	31,778
Prepaid expenses	14,659	2,485
Accounts payable	478,537	(372,066)
Accrued vacation pay	(133,371)	(25,229)
Unearned revenue	(8,007)	61,508
Self-funded leave plan	(37,839)	26,040
Deferrred contributions	72,381	225,184
	$ 185,595	$ (265,158)

Note 18 Planned Expenditure

The Management of the College has approved a plan to incur the following expenditures in future periods:

	1997	1996
Student residence	$ 515,219	$ 431,125
Operating funds designated for specific programs	377,556	213,336
Furnishings and equipment - College departments	28,035	-
Furnishings and equipment - Community and Continuing Education	60,861	69,611
Duplicating services and equipment	96,342	53,864
Self insurance	43,719	47,378
Building expansion	48,306	46,965
Physical activity centre	25,596	31,163
Information systems - network upgrade	28,791	21,410
	$ 1,224,425	$ 914,852

Note 19 Grande Prairie Regional College Foundation

The following schedule is a summary of the revenues and expenses of the Grande Prairie Regional College Foundation. These amounts have been included in the Consolidated Statement of Operations of Grande Prairie Regional College.

	1997	1996
Revenue:		
Investment	$ 203,802	$ 168,765
Fund raising	404,501	289,761
Donations	211,025	197,261
Gift-in-kind	17,234	5,099
Transfers from Grande Prairie Regional College	144,836	85,733
	981,398	746,619
Expense:		
Fund raising	215,774	165,818
Administration	140,101	113,063
Athletic teams support	19,196	18,383
	375,071	297,264
Excess of revenue over expense before scholarships and distributions	606,327	449,355
Scholarships and distributions to Grande Prairie Regional College	(560,242)	(429,037)
	$ 46,085	$ 20,318

Note 20 Salaries and Benefits

	Number of Individual[1]	Salaries[2]	Benefits and Allowances[3]	Total	Number of Individuals[1]	Total
Board members:						
Chair	1.0	$ 6,483	$ 94	$ 6,577	1.0	$ 4,635
Other	12.0	34,407	1,296	35,703	12.0	29,449
President[4][5]	1.0	88,917	11,349	100,266	1.0	87,533
Acting President[4][5]		-	-	-	1.0	22,885
Vice Presidents:						
College Services[4][6]	1.0	80,500	10,136	90,636	1.0	89,890
Instruction[4][7]	1.0	89,541	12,509	102,050	1.0	78,554
Acting - Instruction[7]		-	-	-	1.0	17,246
Executive[4][8]	1.0	15,886	2,368	18,254	1.0	6,794
Directors:						
Campus Operations	1.0	65,135	10,589	75,724	1.0	75,098
Development[9]	1.0	64,801	10,907	75,708		72,540
Financial Services	1.0	60,141	10,136	70,277	1.0	69,725
Human Resources	1.0	60,141	10,053	70,194	1.0	69,567
Community and Continuing Education	1.0	60,026	10,068	70,094	1.0	69,661
Public relations and communications	1.0	49,755	7,677	57,432		
Registrar	1.0	60,026	10,062	70,088	1.0	69,566
Other managers (average 1997 $48,850, 1996 $53,044)	16.2	644,830	146,540	791,370	11.2	594,088
Other salaried staff:						
Academic (average 1997 $59,969, 1996 $58,109)	150.6	7,222,746	1,356,805	8,579,551	148.5	8,629,165
Support (average 1997 $37,128, 1996 $37,023)	93.3	2,818,851	653,663	3,472,514	97.2	3,598,591
Non-salaried staff		579,702	51,082	630,784		495,203
		$ 12,001,888	$ 2,315,334	14,317,222		14,080,190
Other:						
Severance pay and retirement allowances				213,007		137,106
Decrease in vacation pay				(133,371)		(22,647)
Decrease in pension liability				(686,721)		(331,445)
Salaries and benefits (Note 15)				$ 13,710,137		$ 13,863,204

(1) Number of individuals is stated as full-time equivalents for other managers and other salaried staff.

(2) Salaries include base pay, overtime pay, vacation pay, chairperson stipends, Board honoraria and other direct cash remuneration

(3) Benefits and allowances represent the College's share of employee benefits including Canada Pension Plan, Unemployment Insurance, pensions, health care, dental coverage, group life insurance, accidental death and dismemberment insurance, and the cost of sabbatical leaves.

(4) Automobile or automobile allowance was provided but no amount is included as a benefit.

(5) The position of President was occupied for a 9.5-month period and the position of Acting President was occupied for a 2.5-month period during the current year.

(6) The position of Vice President, College Services was occupied for a 5-month period during the previous year.

(7) The position of Vice President, Instruction was occupied for a 9.5-month period and the position of Acting Vice President, Instruction was occupied for a 2.5-month period during the current year.

(8) The position of Executive Vice President commenced June 1, 1997.

(9) The position of Director of Development (formerly Foundation Director) was occupied for a 5-month period during the previous year.

Note 21 Comparative Figures

Certain 1996 figures have been reclassified to conform to 1997 presentation.

Note 22 Approval of Financial Statements

These consolidated financial statements were approved by the Board of Governors.

GRANT MacEWAN COMMUNITY COLLEGE
FINANCIAL STATEMENTS
JUNE 30, 1997

AUDITOR'S REPORT

To the Board of Governors of
Grant MacEwan Community College

I have audited the statement of financial position of Grant MacEwan Community College as at June 30, 1997 and the statements of operations, changes in financial position and changes in net assets for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly the financial position of the College as at June 30, 1997 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Original signed by
Peter Valentine, FCA
Auditor General

Edmonton, Alberta
November 15, 1997

GRANT MacEWAN COMMUNITY COLLEGE
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 1997

	1997	1996 (As restated Note 3)
ASSETS		
Current:		
Cash and temporary investments	$ 5,338,512	$ 13,156,942
Accounts receivable	2,568,123	3,013,650
Inventories (Note 4)	617,471	498,435
Prepaid expenses	289,841	173,612
	8,813,947	16,842,639
Investments (Note 5)	4,162,451	8,375,801
Capital assets (Note 6)	138,504,511	141,346,823
	$ 151,480,909	$ 166,565,263
LIABILITIES AND NET ASSETS		
Current:		
Bank indebtedness	$ 2,082,602	$ 2,120,633
Accounts payable and accrued liabilities	2,272,481	2,537,558
Accrued vacation pay	2,112,000	2,050,000
Unearned revenue (Note 7)	2,023,971	2,667,584
Deferred contributions (Note 8)	1,089,206	1,447,711
Current portion of long-term debt	-	56,528
	9,580,260	10,880,014
Long-term debt	-	3,442,840
Pension obligation (Note 9)	574,478	1,720,000
Unamortized deferred capital contributions (Note 10)	108,427,032	113,458,979
	118,581,770	129,501,833
Net assets:		
Endowments (Note 20)	-	8,237,930
Investment in capital assets	30,077,479	24,388,476
Unrestricted	2,821,660	4,437,024
	32,899,139	37,063,430
	$ 151,480,909	$ 166,565,263

The accompanying notes are part of these financial statements.

GRANT MacEWAN COMMUNITY COLLEGE
STATEMENT OF REVENUE AND EXPENSE
FOR THE YEAR ENDED JUNE 30, 1997

	1997	1996 (As restated Note 3)
Revenue:		
Grants (Note 11)	$ 28,882,267	$ 28,328,317
Tuition fees	16,859,504	13,778,838
Contract programs	4,461,596	3,510,824
Sales, rentals and services (Note 12)	8,381,562	7,961,753
Donations	347,335	186,907
Investment earnings (Note 13)	499,446	1,346,530
Amortization of deferred capital contributions (Note 10)	5,409,495	5,057,887
	64,841,205	60,171,056
Expense (Note 15):		
Instruction	31,259,114	28,376,460
Academic support	5,095,331	5,044,145
Student services	2,624,128	2,205,725
Institutional support	9,511,746	9,409,423
Computing services	1,041,063	896,860
Ancillary services (Note 14)	6,234,127	5,771,256
Amortization of capital assets	5,903,664	5,874,069
Loss on disposal of capital assets	12,392	53,809
Unallocated pension valuation adjustment (Note 9)	(913,999)	-
	60,767,566	57,631,747
Excess of revenue over expense	$ 4,073,639	$ 2,539,309

GRANT MacEWAN COMMUNITY COLLEGE
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 1997

	1997				1996
	Endowments	Investment in Capital Assets	Unrestricted	Total	Total (As restated Note 3)
Excess of revenue over expense	$ -	$ -	$ 4,073,639	$ 4,073,639	$ 2,539,309
Endowment contributions	-	-	-	-	250,206
Transfers for:					
Acquisition of internally funded capital assets	-	2,732,520	(2,732,520)	-	-
Disposal of internally funded capital assets	-	(48,716)	48,716	-	-
Amortization of internally funded capital assets	-	(494,169)	494,169	-	-
Repayment of debenture on capital assets	-	3,499,368	(3,499,368)	-	-
Transfer to Grant MacEwan Community College Foundation	(8,237,930)	-	-	(8,237,930)	-
(Decrease) increase in net assets	(8,237,930)	5,689,003	(1,615,364)	(4,164,291)	2,789,515
Net assets at beginning of year, as restated	8,237,930	24,388,476	4,437,024	37,063,430	34,273,915
Net assets at end of year	$ -	$ 30,077,479	$ 2,821,660	$ 32,899,139	$ 37,063,430

GRANT MacEWAN COMMUNITY COLLEGE
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 1997

	1997	1996 (As restated Note 3)
Operating activities:		
Excess of revenue over expense	$ 4,073,639	$ 2,539,309
Non-cash transactions:		
Amortization of capital assets	5,903,664	5,874,069
Loss on disposal of capital assets	12,392	53,809
Change in pension obligation	(1,145,522)	(511,000)
Amortization of deferred capital contributions	(5,409,495)	(5,057,887)
Amortized gain on investment	-	(13,437)
	3,434,678	2,884,863
Changes in non-cash working capital (Note 16)	(994,933)	57,866
Cash generated from (applied to) operating activities	2,439,745	2,942,729
Investing activities:		
Acquisition of capital assets:		
Internally funded	(2,732,520)	(2,972,818)
Externally funded	(377,548)	(86,011)
Proceeds on disposal of capital assets	36,324	26,600
Investments	4,213,350	(256,620)
Cash applied to investing activities	1,139,606	(3,288,849)
Financing activities:		
Repayment of long-term debt	(3,499,368)	(52,280)
Endowment contributions	-	250,206
Transfer of endowment funds to Foundation	(8,237,930)	-
Capital assets contributions (Note 8)	377,548	86,011
Cash generated from financing activities	(11,359,750)	283,937
Increase in cash and temporary investments, net of bank indebtedness	(7,780,399)	(62,183)
Cash and temporary investments at beginning of year, net of bank indebtedness	11,036,309	11,098,492
Cash and temporary investments at end of year, net of bank indebtedness	$ 3,255,910	$ 11,036,309

Note 1 Authority and Purpose

Grant MacEwan Community College operates under the authority of the Colleges Act, Chapter C-18, Revised Statutes of Alberta 1980, as amended. The College offers diploma and certificate programs in arts and science, business, community education, health and community studies, and performing, visual and communication arts. The College also offers first and second year university transfer programs in arts and science, physical education, nursing, engineering and commerce. Through its outreach activities, the College offers credit and non-credit courses in these programs on an outreach basis within greater Edmonton, and on brokerage and outreach basis to other areas of the Province and beyond.

The College is exempt under Section 149 of the Income Tax Act from payment of income taxes.

Note 2 Significant Accounting Policies and Reporting Practices

(a) Revenue Recognition

Unrestricted contributions are recorded as revenue in the period they are receivable.

Externally restricted non-capital contributions are deferred and recognized as revenue in the period in which the related expenses are incurred. Non-capital donations of materials and services that would otherwise have been purchased are accounted for as externally restricted non-capital contributions, at fair value when a fair value can be reasonably estimated.

Externally restricted capital contributions are recorded as deferred contributions until the amount is invested in capital assets. Contributions for capital assets that will be amortized are transferred to unamortized deferred capital contributions in the period the asset is acquired. Contributions for capital assets that will not be amortized, such as land and art collections, are not transferred to unamortized deferred capital contributions or recognized as revenue, but are recorded as direct increases in net assets in the period the asset is acquired. Capital donations of assets that would otherwise be purchased are accounted for as externally restricted capital contributions, at fair value when a fair value can be reasonably estimated.

Unamortized deferred capital contributions are recognized as revenue in the periods in which the related capital assets are amortized. The related portion of amortization expense and the deferred capital contributions revenue are matched to indicate how the related amortization expense has been funded. Unamortized deferred capital contributions relating to capital assets disposed of are recognized as revenue in the period of disposal, provided that all restrictions have been complied with.

Government grants are accounted for as unrestricted contributions or externally restricted contributions in accordance with the terms of funding.

Externally restricted contributions made for endowment purposes are not recognized as revenue, but are recorded as direct increases in net assets.

Investment earnings on unrestricted contributions and on internally restricted endowments are recorded as revenue when earned.

Amounts received for tuition fees, contract programs and sales, rentals and services are classified as unearned revenue and recognized as revenue in the period the goods are delivered or the services are provided.

(b) Investments

Investments are recorded at cost or amortized cost. Amortization of discount or premium is on a straight-line basis over the life of the investment. Gains and losses on investments are recognized at liquidation, or when there is permanent impairment in the value of an investment.

(c) Capital Assets

Capital asset acquisitions are recorded at cost, except donated assets which are recorded at fair market value. The art collection is not amortized.

Capital assets are amortized on a straight-line basis over the following average useful lives:

Buildings and site improvements	40 years
Furniture, equipment and vehicles	10 years
Library materials	10 years
Computers and telecommunications equipment	5 years

(d) Inventories

Inventories for resale are valued at the lower of cost or net realizable value, with cost determined on a moving average basis.

(e) Pension Obligation and Expense

The College and its eligible employees participate in the Local Authorities Pension Plan. The College's pension obligation is its portion of the total unfunded pension obligation of the Plan, including deferred adjustments arising from experience gains and losses and changes in actuarial assumptions identified by new actuarial valuations. The College's portion is based upon the ratio of pensionable earnings of the College's employees to the earnings of all employees in the Plan. The ratio is adjusted annually based upon the previous year's pensionable earnings of all employees in the Plan.

The actuarial valuations for the pension plan were determined using the projected benefit method prorated on service. Assumptions used in the valuations are based on the Pension Board's best estimate of future events. The Plan's future experience will differ, perhaps significantly, from the assumptions. Any differences between the actuarial assumptions and future experience will be deferred and amortized as part of the pension expense over the expected average remaining service life of the employee group.

Pension expense includes pension obligation earned by employees during the year, interest on the unfunded pension obligation, the amortization of deferred adjustments over the expected average remaining service life of employees, and the effect of the change in the ratio used to allocate the Plan's total unfunded obligation to participating entities.

(f) Expenses

Instruction encompasses all formal educational and instructional program elements. Academic support includes all activities that directly support the educational and instructional elements such as academic administration, library and audio visual services. Student services includes all activities or services to the student body of the institution including scholarships and bursaries. Institutional support includes all activities that provide institution-wide support to other programs.

Note 3 Prior Period Adjustment

Development and Faculty sabbatical leaves were previously established as internal commitments which could be carried forward and used in future years. Because the carry forward of these unexpended funds is required by the Collective Agreement between the College and the Faculty Association, these funds are now included as part of the liabilities of the College. The effect of this adjustment which has been applied retroactively on the Statement of Financial Position as at June 30, 1997 has been to increase accounts payable and accrued liabilities by $329,955 (1996 $300,692) and reduce unrestricted net assets by $329,955 (1996 $300,692). The effect on the statement of Revenue and Expense for the year ended June 30, 1997 has been to increase academic support expense and decrease excess of revenue over expense by $29,263 (1996 $39,963). The effect on the 1996 opening unrestricted net assets has been a decrease of $260,729.

Accounts payable and accrued liabilities in the amount $223,442 (1996 $138,285) payable to the Foundation has been reclassified as funds held on behalf of others and removed from the Statement of Financial Position. A corresponding amount was removed from bank indebtedness. This adjustment did not affect the Statement of Revenue and Expense.

Note 4 Inventories

	1997	1996
Bookstores	$ 553,681	$ 427,927
Life support training materials	63,790	70,508
	$ 617,471	$ 498,435

Note 5 Investments

Investments represent funds which are not required for operating purposes within the next fiscal period.

	1997					1996
	Effective Yield at Cost	Weighted Average Years of Maturity	Par Value	Fair Value	Book Value	Book Value
Common stocks and equivalents				$ 2,479,880	$ 2,316,145	$ -
Fixed income securities	7.06%	7.1 years	1,449,371	1,684,775	1,662,799	-
Flexannuity investment with New York Life Assurance	10.06%	12.3 years	489,490	136,177	136,177	136,177
Cash and short-term deposits				41,480	41,480	8,237,930
Other				5,850	5,850	1,694
				$ 4,348,162	$ 4,162,451	$ 8,375,801

Note 6 Capital Assets

	1997			1996
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 19,649,957	$ -	$ 19,649,957	$ 19,649,957
Buildings and site improvements	131,381,926	21,915,136	109,466,790	112,179,977
Furniture, equipment and vehicles	9,911,875	5,419,686	4,492,189	4,281,492
Library materials	4,235,891	3,180,527	1,055,364	1,065,814
Computers and telecommunications equipment	13,056,074	9,427,355	3,628,719	3,961,441
Art collection	211,492	-	211,492	208,142
	$ 178,447,215	$ 39,942,704	$ 138,504,511	$ 141,346,823

Art collection is comprised of paintings and sculptures held by the College.

Note 7 Unearned Revenue

	1997	1996
Contract programs	$ 327,303	$ 603,714
Tuition fees	1,567,010	1,861,400
Ancillary services - MacEwan Centre for Sports and Wellness	129,658	202,470
	$ 2,023,971	$ 2,667,584

Note 8 Deferred Contributions

Deferred contributions represent unspent contributions externally restricted for either capital or non-capital purposes.

	1997	1996
Contributions received:		
Conditional grants	$ 6,953,262	$ 4,985,555
Donations	347,334	402,430
Investment earnings	-	520,135
	7,300,596	5,908,120
Transferred to revenue:		
Conditional grants	(5,976,862)	(4,714,496)
Donations	(347,334)	(186,907)
Investment earnings	-	(366,864)
	(6,324,196)	(5,268,267)
Transferred to:		
Endowments	-	(78,102)
Grant MacEwan Community College Foundation (Note 20)	(957,356)	-
Unamortized deferred capital contributions (Note 10)	(377,548)	(86,011)
	(1,334,904)	(164,113)
Increase during the year	(358,505)	475,740
Deferred contributions, beginning of year	1,447,711	971,971
Deferred contributions, end of year	$ 1,089,206	$ 1,447,711
The balance consists of funds restricted for:		
Scholarships and bursaries	-	287,942
Conditionally funded non-capital projects	1,089,206	1,159,769
	$ 1,089,206	$ 1,447,711

Note 9 Pension Obligation

The College participates with other employers in the Local Authorities Pension Plan. The Plan, managed by a pension board, is a defined benefit plan and provides pensions for the College's employees based on their length of service and earnings. The Public Sector Pension Plans Act determined the amount of the unfunded pension obligation which will be funded by employers.

The College's portion of unfunded pension obligation for the Plan as at June 30, 1997 was estimated at $574,478 (1996 $1,720,000).

The total unfunded pension obligation was determined by the Alberta Pensions Administration based on an actuarial valuation as at December 31, 1996, extrapolated to June 30, 1997. The 1995 total unfunded pension obligation for the Plan was determined by extrapolation of a December 31, 1996 actuarial valuation. The obligation is to be eliminated on or before December 31, 2036.

The current year decrease in the unfunded pension liability is comprised of a $913,999 unallocated pension valuation adjustment and a $231,523 allocated pension valuation adjustment which has been included in institutional support.

Note 10 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the external funding of capital assets which will be recognized as revenue in future periods.

	1997	1996
Balance at beginning of year	$ 113,458,979	$ 118,430,855
Transferred from deferred contributions (Note 8)	377,548	86,011
Less amount amortized to revenue	(5,409,495)	(5,057,887)
Balance at end of year	$ 108,427,032	$ 113,458,979

Note 11 Grants

	1997	1996
Province of Alberta, Department of Advanced Education and Career Development		
Base operating grant	$ 22,905,405	$ 23,613,821
Conditional funding	5,953,053	4,348,870
	28,858,458	27,962,691
Conditional Government of Canada funding	23,809	365,626
	$ 28,882,267	$ 28,328,317

Note 12 Sales, Rentals and Services

	1997	1996
Ancillary operations:		
Bookstores	$ 3,641,983	$ 3,199,723
Parking	813,130	751,530
Daycare	490,256	502,269
Food services	254,385	258,484
MacEwan Centre for Sport and Wellness	1,385,823	1,234,001
Central printing	72,460	-
Theatre operations	10,400	6,638
	6,668,437	5,952,645
Instructional and administrative	1,713,125	2,009,108
	$ 8,381,562	$ 7,961,753

Note 13 Investment Earnings

	1997	1996
Investment earnings:		
on unrestricted sources	$ 499,446	$ 979,666
on resources held for endowments	-	520,135
Total investment earnings for the period	499,446	1,499,801
Less amounts deferred in the year	-	(75,169)
Less amounts credited directly to endowments	-	(78,102)
	$ 499,446	$ 1,346,530

Note 14 Ancillary Services

The College's ancillary direct expenses are summarized as follows:

	1997	1996
Bookstores	$ 3,444,153	$ 3,005,372
Parking	578,741	546,979
Daycare	565,798	550,764
Food services	230,934	277,259
MacEwan Centre for Sport and Wellness	1,417,957	1,385,074
Central printing	(9,019)	-
Theatre operations	5,563	5,808
	$ 6,234,127	$ 5,771,256

Note 15 Supplementary Expense Information

Expense by object is summarized as follows:

	1997	1996 (As restated Note 3)
Salaries and benefits (Note 17)	$ 37,322,192	$ 36,176,471
Supplies and services	12,958,071	10,756,065
Amortization of capital assets	5,903,664	5,874,069
Telephones and utilities	1,636,287	1,553,162
Travel and advertising	1,234,821	1,400,261
Repair and maintenance	1,640,815	1,241,637
Loss on disposal of capital assets	12,392	53,809
Interest on long-term debt	59,324	270,397
Scholarships and projects	-	305,876
	$ 60,767,566	$ 57,631,747

Note 16 Changes in Non-Cash Working Capital

	1997	1996
Accounts receivable	$ 445,527	$ (963,095)
Inventories	(119,036)	(44,512)
Prepaid expenses	(116,229)	(9,672)
Accounts payable and accrued liabilities	(265,077)	(37,954)
Accrued vacation pay	62,000	60,378
Unearned revenue	(643,613)	576,981
Deferred contributions	(358,505)	475,740
	$ (994,933)	$ 57,866

Note 17 Salary Disclosure

	1997				1996	
	Full-time Equivalents	Salary[a]	Benefits and Allowances[b]	Total	Full-time Equivalents	Total
Board of Governors	8.0	$ 21,721	$ 1,014	$ 22,735	10.0	$ 33,038
President [c]	0.7	79,464	17,057	96,521	1.0	138,510
Executive [c]						
Vice President Operations	1.0	85,470	12,842	98,312	1.0	95,941
Executive Director, College Advancement	1.0	83,638	18,498	102,136	1.0	97,079
Vice President Academic	1.0	82,117	17,736	99,853	1.0	95,402
Director, Student services	1.0	63,091	9,863	72,954	1.0	77,395
	4.0	314,316	58,939	373,255	4.0	365,817
Other managers						
Deans and Directors (average 1997 $82,125, 1996 $80,495)	9.0	653,292	85,834	739,126	8.0	643,957
Managers and Coordinators (average 1997 $59,483, 1996 $56,654)	12.0	627,297	86,504	713,801	17.5	1,073,346
	21.0	1,280,589	172,338	1,452,927	25.5	1,717,303
Other full-time, continuing staff						
Faculty (average 1997 $57,523, 1996 $63,514)	127.0	6,568,720	736,752	7,305,472	123.9	7,869,445
Instructional assistants (average 1997 $37,338, 1996 $37,462)	14.0	464,251	58,479	522,730	17.1	640,600
Non-academic staff (average 1997 $36,770, 1996 $35,555)	179.0	5,756,507	825,313	6,581,820	205.1	7,292,230
	320.0	12,789,478	1,620,544	14,410,022	346.1	15,802,275
Part time and casual		20,720,445	1,776,669	22,497,114		18,325,638
Other [d]				(1,530,382)		(206,110)
	353.7	$ 35,206,013	$ 3,646,561	$ 37,322,192	386.6	$ 36,176,471

(a) Includes regular base pay plus overtime, lump sum payments, honoraria, sabbatical payment and any other direct cash remunerations.

(b) Includes employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental, out-of-country medical benefits, accidental disability and dismemberment insurance, long and short-term disability insurance, supplementary superannuation contributions and earned vacation leave.

(c) Automobiles or automobile allowance was provided but no amount is included as a benefit.

(d) Includes accrued vacation pay, the pension adjustment and the faculty sabbatical provision.

Note 18 Related Party

The Grant MacEwan Community College Foundation is a registered charitable organization, and receives donations from various sources for the advancement of Grant MacEwan Community College.

During the year, the following transactions took place between the College and the Foundation:

	1997	1996
Transfers to the College	$ 347,334	$ 497,235
Funds due to the Foundation as at year end	$ 223,442	$ 138,285

The College provides certain administrative services and accommodation to the Foundation for a predetermined annual fee of $100,000 (1996 $75,000).

Note 19 Budget

The Board of Governors approved the following budget relating to the College's operating revenue, expense, and acquisition of capital assets for the fiscal 1997.

Revenue		
Operating grants	$	25,458,102
Outreach and self-funded		17,373,168
Tuition fees		6,248,586
Ancillary operations		5,479,909
Investment income		700,000
Student services		362,000
Other		206,000
	$	55,827,765
Expense and capital asset acquisition		
Academic affairs	$	32,111,415
Administrative affairs		8,126,731
Student services		4,725,993
Ancillary operations		5,078,839
Information and instructional services		3,587,653
Board, President and human resources		400,802
Other		1,055,200
		55,086,633
Investment in capital assets		894,760
	$	55,981,393

Note 20 Endowments

On July 1, 1996 the College transferred $8,237,930 of endowments and $957,356 of deferred contributions to the Grant MacEwan Community College Foundation. These deferred contributions consist of investment earnings related to endowments and donations. The transfer was made to allow the Foundation greater control over the funds collected from donors for which it is responsible.

Note 21 Comparative Figures

Certain 1996 figures have been reclassified to conform to 1997 presentation.

Note 22 Approval of Financial Statements

These financial statements were approved by the Board of Governors.

KEYANO COLLEGE
FINANCIAL STATEMENTS
JUNE 30, 1997

AUDITOR'S REPORT

To the Board of Governors
Keyano College

I have audited the statement of financial position of Keyano College as at June 30, 1997 and the statements of revenue and expense, changes in net assets, and changes in financial position for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the College as at June 30, 1997 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Original signed by
Peter Valentine, FCA
Auditor General

Edmonton, Alberta
October 24, 1997

KEYANO COLLEGE
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 1997

	1997	1996 (Restated) (Note 3)
ASSETS		
Current:		
Cash and short-term investments	$ 193,070	$ 4,186,088
Accounts receivable	1,907,584	1,642,935
Inventories (Note 4)	395,286	301,222
Prepaid expenses and deposits	52,425	75,643
	2,548,365	6,205,888
Cash and short-term investments (Note 5)	3,500,000	4,911,168
Capital assets (Note 6)	54,792,087	56,266,211
	$ 60,840,452	$ 67,383,267
LIABILITIES AND NET ASSETS		
Current:		
Accounts payable and accrued liabilities	$ 1,128,004	$ 1,224,781
Accrued vacation pay	1,208,882	1,370,312
Unearned revenue (Note 7)	283,797	295,050
Deferred contributions (Note 8)	428,967	391,364
Long-term debt due within one year	-	205,396
	3,049,650	3,486,903
Long-term:		
Long-term debt	-	4,043,649
Pension obligation (Note 10)	387,404	1,171,000
Unamortized deferred capital contributions (Note 11)	35,074,530	36,864,143
	35,461,934	42,078,792
Net assets		
Endowments (Note 12)	636,479	610,674
Investment in capital assets (Note 14)	19,717,557	15,153,023
Accumulated excess of revenue over expense (Note 13)	1,974,832	6,053,875
	22,328,868	21,817,572
	$ 60,840,452	$ 67,383,267

The accompanying notes are part of these financial statements.

KEYANO COLLEGE
STATEMENT OF REVENUE AND EXPENSE
FOR THE YEAR ENDED JUNE 30, 1997

	1997	1996 (Restated) (Note 3)
Revenue:		
Grants (Note 15)	$ 16,024,560	$ 16,458,297
Sales, rentals and services	5,358,672	4,250,822
Tuition	2,068,501	1,697,957
Education contracts	949,844	957,596
Investment income (Note 20)	248,591	554,922
Donations	300,230	82,114
Gain on disposal of capital assets	9,692	7,545
Amortization of deferred capital contributions (Note 11)	2,117,021	2,129,472
	27,077,111	26,138,725
Expense (Note 16):		
Instruction	12,592,113	10,916,028
Institutional support	5,956,573	6,063,515
Academic support	1,690,717	1,694,877
Student services	1,192,392	1,041,946
Computing services	416,519	437,714
Ancillary operations (Note 17)	2,252,772	2,130,373
Amortization	2,632,925	2,654,672
Unallocated pension valuation adjustment (Note 10)	(616,527)	-
Interest on long-term debt	474,136	348,314
	26,591,620	25,287,439
Excess of revenue over expense	$ 485,491	$ 851,286

KEYANO COLLEGE
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 1997

	1997 Endowments (Note 12)	1997 Investment in Capital Assets (Note 14)	1997 Accumulated Excess of Revenue Over Expense (Note 13)	1997 Total	1996 Total (As restated) (Note 3)
Beginning of year, as restated (Note 3)	$ 610,674	$ 15,153,023	$ 6,053,875	$ 21,817,572	$ 20,866,396
Excess of revenue over expense	-	-	485,491	485,491	851,286
Endowments received	25,805	-	-	25,805	99,890
Capital assets acquired from internal funds	-	831,393	(831,393)	-	-
Amortization of internally funded capital assets	-	(515,904)	515,904	-	-
Repayment of long-term debt	-	4,249,045	(4,249,045)	-	-
	$ 636,479	$ 19,717,557	$ 1,974,832	$ 22,328,868	$ 21,817,572

KEYANO COLLEGE
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 1997

	1997	1996 (Restated) (Note 3)
Cash provided from operating activities:		
Excess of revenue over expense	$ 485,491	$ 851,286
Non-cash transactions:		
Amortization of capital assets	2,632,925	2,654,672
Gain on disposal of capital assets	(9,692)	(7,545)
Change in pension obligation	(783,596)	(491,000)
Amortization of deferred capital contributions	(2,117,021)	(2,129,472)
Cash generated from operations	208,107	877,941
Changes in non-cash working capital accounts (Note 19)	(567,352)	112,757
Cash generated (used) from operating activities	(359,245)	990,698
Cash provided from (used in) investing activities:		
Proceeds on disposals of capital assets	9,692	36,581
Acquisition of capital assets:		
From internal funds	(831,393)	(943,811)
From deferred contributions (Note 8)	(327,408)	(408,840)
Long term investments	1,411,168	(321,824)
	262,059	(1,637,894)
Cash provided from (used in) financing activities:		
Capital contributions received (Note 8)	327,408	408,840
Endowment contributions	25,805	99,890
Repayment of obligations under debt	(4,249,045)	(189,358)
	(3,895,832)	319,372
Decrease in cash and short-term investments	(3,993,018)	(327,824)
Cash and short-term investments at beginning of year	4,186,088	4,513,912
Cash and short-term investments at end of year	$ 193,070	$ 4,186,088

KEYANO COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1997

Note 1 Authority and Purpose

Keyano College operates under the authority of the Colleges Act, Chapter C-18, Revised Statutes of Alberta 1980, as amended. The College is a comprehensive community college serving primarily the north-eastern region of Alberta. The College is exempt from payment of income tax under Section 149 of the Income Tax Act.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

(a) Revenue Recognition

Operating grants are recognized in the period when receivable. Operating grants received for a future period are deferred until that future period and are reflected as deferred contributions.

Amounts received for tuition fees and sales of goods and services are recognized as revenue at the time the goods are delivered or the services are provided. Otherwise, these amounts are classified as unearned revenue.

Externally restricted non-capital contributions are deferred and recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts can only be used for purposes designated by the contributors. Any externally restricted contributions containing stipulations that the amounts should be retained as net assets or that the contributions should not be expended are recorded as direct increases in net assets. Such stipulations would include contributions made for endowment purposes or to be used to acquire non-amortizable property. Investment income earned on external endowments is recorded as a direct increase in net assets where the donor has stipulated that the economic value of endowments must be protected.

Externally restricted capital contributions are recorded as deferred contributions until the amount is invested to acquire capital assets. Amounts invested representing externally funded capital assets are then transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are recognized as revenue in the periods in which the related amortization expense of the funded capital asset is recorded.

Contributions of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

(b) Inventories

Inventories held for resale are valued at the lower of cost and net realizable value. Inventories held for consumption are valued at the lower of cost and replacement value.

(c) Investments

Investments are recorded at cost. Gains or losses on investments are recognized at liquidation or when there is permanent impairment in the value of an investment.

(d) Capital Assets

Capital assets acquisitions are recorded at cost except for donated assets which are recorded at fair market value. Capital assets are amortized on a straight-line basis over the following estimated average useful lives:

	Years
Buildings and renovations	40
Furnishings and equipment	10-25
Automotive and heavy equipment	5-25
Library materials	10
Audio-visual materials	10
Computer hardware and software	5-10

(e) Pension Obligation and Expense

The College and its eligible employees participate in the Local Authorities Pension Plan.

The College's pension liability is its portion of the total unfunded pension liability of the plan, including deferred adjustments arising from experience gains and losses and changes in actuarial assumptions identified by new actuarial valuations. The College's portion is based on the ratio of pensionable earnings of the College's employees to the earnings of all employees of the plan. The ratio is adjusted annually based upon the previous year's pensionable earnings of employees in the plan.

The actuarial valuations for the pension plan were determined using the projected benefit method prorated on service. Assumptions used in the valuations are based on the Pension Board's best estimate of future events. The plan's future experience will differ, perhaps significantly, from the assumptions. Any differences between the actuarial assumptions and future experience emerge as gains or losses in future valuations. Gains or losses which relate to the long term are amortized over the expected average remaining service life of the employee group. Gains or losses for which there is reasonable assurance regarding their measurement and realization are recognized as income immediately.

(f) Pension Costs

Pension cost is disclosed as part of salaries and wages, and pension valuation adjustment. These costs comprise: the cost of pension benefits earned by employees during the year, interest on the College's share of unfunded pension liability, the amortization of deferred gains or losses over the expected average remaining service life of employees which relate to the long term, adjustments to the pension obligation recognized immediately where there is reasonable assurance that a gain or loss has been realized, and the effect of the change in the ratio used to allocate the plan's total unfunded liability to participating entities.

(g) Expenses

Instruction encompasses all formal educational and instructional program elements. Academic support includes all activities that directly support the educational and instructional elements such as academic administration, library and audio-visual services. Student services includes all activities or services to the student body of the institution including scholarships and bursaries. Institutional support includes all activities that provide institution-wide support to other programs.

Note 3 Prior Period Adjustment

In prior years, building additions were capitalized and recorded as an asset on the balance sheet with a corresponding investment in capital assets. In 1997, the College adjusted the cost of the buildings to include only additions that would increase the life and service potential of the buildings. These adjustments have been applied retroactively and have resulted in the following restatements.

	1997	1996
Net assets at beginning of year, as previously reported	$ 22,263,804	$ 21,309,751
Decrease in capital assets	(714,068)	(718,757)
Decrease in unamortized deferred capital contributions	267,836	275,402
Net assets at beginning of year, as restated	$ 21,817,572	$ 20,866,396
Total revenue for the year, as would have been reported, or as previously reported	$ 27,084,677	$ 26,146,291
Decrease in amortization of deferred capital contributions	(7,566)	(7,566)
Total revenue for the year, as restated.	$ 27,077,111	$ 26,138,725
Total expense for the year, as would have been reported, or as previously reported	$ 26,610,918	$ 25,292,128
Decrease in amortization	(19,298)	(4,689)
Total expense for the year, as restated	$ 26,591,620	$ 25,287,439

Note 4 Inventories

	1997	1996
Bookstore	$ 182,298	$ 142,087
Maintenance contracts	186,861	118,678
Food services	26,127	40,457
	$ 395,286	$ 301,222

Note 5 Cash and Short-term Investments

Non-current cash and short-term investments represent funds related to endowments and amounts internally restricted for non-current purposes by the Board of Governors (Note 13).

Note 6 Capital Assets

Capital assets are summarized as follows:

	1997			1996
	Cost and Appraised Value	Accumulated Amortization	Net Book Value	Net Book Value
Land and improvements	$ 11,679,586	$ -	$ 11,679,586	$ 11,679,586
Buildings and renovations	57,700,699	21,588,133	36,112,566	37,555,085
Furnishings and equipment	4,912,950	3,092,044	1,820,906	1,766,780
Automotive and heavy equipment	8,404,200	4,942,414	3,461,786	3,674,419
Library materials	1,579,815	1,167,313	412,502	377,136
Audio-visual materials	589,833	376,919	212,914	185,452
Computer hardware and software	5,262,320	4,170,493	1,091,827	1,027,753
	$ 90,129,403	$ 35,337,316	$ 54,792,087	$ 56,266,211

The Province of Alberta has been granted an option to purchase the whole or any part of the land, buildings and improvements transferred to the College in 1984 and valued at $47,534,300, for the nominal amount of $1 per purchase.

Capital acquisitions during the year include certain donations in kind with fair market value of $64,773 (1996 $47,209).

Note 7 **Unearned Revenue**

	1997	1996
Tuition fees	$ 167,983	$ 98,896
Prepaid rent	8,772	81,379
Contract programs	107,042	114,775
	$ 283,797	$ 295,050

Note 8 **Deferred Contributions**

Deferred contributions represent unspent amounts externally restricted for either capital or non-capital purposes.

	1997	1996
Restricted contributions received during the year		
Province of Alberta grants	$ 690,234	$ 453,750
Donations	398,324	484,940
Transferred to grant revenue	(645,278)	(387,410)
Transferred to donation revenue	(78,269)	(58,789)
Transferred to unamortized deferred capital capital contributions (Note 11)	(327,408)	(408,840)
Increase during the year	37,603	83,651
Balance at beginning of year	391,364	307,713
Balance at end of year	$ 428,967	$ 391,364

The balance at end of year is restricted for scholarships and bursaries, and access funding.

Note 9 **Funds Held on Behalf of Others**

The College has $156,619 (1996 $215,775) in funds held in trust for other parties. These amounts are not included in these financial statements.

Note 10 **Pension Obligation**

The College participates with other employers in the Local Authorities Pension Plan. This Plan which is administered by the Alberta Pensions Administration Corporation, is a defined benefit plan and provides pensions for the College's employees based on their years' of service and earnings. The Public Sector Pension Plans Act specifies the basis for determining the amount of the total unfunded liability for the Plan which will be funded by employers.

The College's proportionate share of the unfunded pension liability of the Local Authorities Pension Plan at June 30, 1997 was estimated to be $387,404 (1996 $1,171,000).

The 1997 unfunded pension liability was determined by an actuarial valuation as at December 31, 1996, extrapolated to June 30, 1997. The 1996 unfunded pension liability was determined by an actuarial valuation as at December 31, 1995, extrapolated to June 30, 1996. The liability is to be eliminated on or before December 31, 2036.

The unallocated pension valuation adjustment recognizes, in the current period, the effect of government restructuring on the pension obligation. Government restructuring resulted in reduced plan membership, wage restraints and changes to the investment strategies of the

pension plan.

The change in the unfunded pension liability for the year is as follows:

Unallocated pension valuation adjustment	$ 616,527
Allocated pension valuation adjustment included in institutional support	167,069
	$ 783,596

Note 11 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the external funding of capital assets which will be recognized as revenue in future periods.

	1997	1996
Balance at beginning of year	$ 36,864,143	$ 38,584,775
Add amount transferred from deferred contributions (Note 8)	327,408	408,840
Less amount amortized to revenue	(2,117,021)	(2,129,472)
Balance at end of year	$ 35,074,530	$ 36,864,143

Note 12 Endowments

Endowments are comprised of externally restricted amounts which are required to be maintained intact except where a donor agrees to a reallocation for expendable purposes.

Note 13 Planned Expenditures

In the previous year, the College had internally restricted funds of $4,300,493. For the current and prior year comparative figures, internally restricted and accumulated excess of revenue over expense have been combined under the heading Accumulated Excess of Revenue over Expense on the Statement of Financial Position and the Statement of Changes in Net Assets.

The Board of Governors has approved the following planned expenditures as future funds become available. These amounts are not available for other purposes without the approval of the Board.

	1997	1996
Professional development		
Excluded staff	$ 37,471	$ 23,923
Support staff	28,976	20,167
Faculty	-	83,230
Employee safety	8,751	9,368
Employee assistance program	12,360	10,651
Heavy equipment projects	97,089	362,667
Research and development	31,904	31,904
Computer equipment	92,787	92,787
Provincial secretariat	2,375	2,375
Musical instruments	26,265	26,265
Log haul program	89,587	89,587
Trades program	128,571	234,319
Family welfare worker program	75,049	75,049
Lecture series	5,097	5,097
Innovative instruction	2,964	2,964
Native education training	20,140	21,166
Industry Training Centre sinking fund	-	371,538
Academic development	42,026	74,894
Community and upgrading education development	37,393	28,711
Student housing	503,970	424,155
Bookstore operations	79,261	51,497
Food services centre operations	-	4,329
Parking operations	65,560	39,768
Theatre operations	68,094	67,108
Equipment replacement	1,122,848	1,081,209
Site and renovations	1,088,103	1,006,684
Food services centre equipment	3,329	3,329
Theatre capital equipment	58,885	55,752
	$ 3,728,855	$ 4,300,493

Note 14 Net Assets Invested in Capital Assets

	1997	1996
Capital assets	$ 54,792,087	$ 56,266,211
Less: Current portion of long-term debt	-	(205,396)
Long-term debt	-	(4,043,649)
Unamortized deferred capital contributions	(35,074,530)	(36,864,143)
Balance at end of year	$ 19,717,557	$ 15,153,023

Note 15 Grants

	1997	1996
Province of Alberta, Department of Advanced Education and Career Development:		
Base grant	$ 14,131,073	$ 14,568,116
Envelope funding	661,517	251,407
Conditional funding	39,411	52,917
Other government funding	1,192,559	1,585,857
	$ 16,024,560	$ 16,458,297

Note 16 Supplementary Expense Information

Expense is summarized by object as follows:

	1997	1996
Salaries and benefits (Note 18)	$ 15,914,818	$ 15,293,249
Supplies and sundry	4,818,489	3,886,777
Capital amortization	2,632,925	2,654,672
Maintenance	1,981,265	1,844,865
Utilities and taxes	1,308,245	1,200,773
Unallocated pension valuation adjustment	(616,527)	-
Interest on long-term debt	474,136	348,314
Scholarships and bursaries	78,269	58,789
	$ 26,591,620	$ 25,287,439

Note 17 Ancillary Services

The College's ancillary services revenue and direct expense are summarized as follows:

	1997			1996
	Revenue	Expense	Net	Net
Student residence	$ 763,369	$ 689,363	$ 74,006	$ 19,196
Food services	496,252	545,675	(49,423)	(5,658)
Bookstore	412,047	403,394	8,653	22,593
Theatre	369,503	586,278	(216,775)	(181,740)
Parking	108,528	28,062	80,466	74,764
	$ 2,149,699	$ 2,252,772	$ (103,073)	$ (70,845)

Note 18 Salaries and Benefits

	1997				1996	
	Full-time Equivalents[5]	Salary[1]	Benefits and Allowances[2]	Total	Full-time Equivalents[5]	Total
Board Chairman	1.00	$ 4,510	$ 316	$ 4,826	1.00	$ 4,539
Board members	9.00	26,990	1,889	28,879	9.00	26,760
	10.00	31,500	2,205	33,705	10.00	31,299
President[3]	1.00	93,601	21,636	115,237	1.00	110,545
Vice President - Instruction[3]	1.00	80,448	18,361	98,809	1.00	92,290
Vice President - Student and College Services[3]	1.00	78,109	18,045	96,154	0.93	77,593
Dean, Academic and Career Career Programs	1.00	64,850	8,755	73,605	1.00	78,410
Dean, Trades and Technology	1.00	69,309	9,357	78,666	1.00	75,304
Other managers (average 1997 $66,147, 1996 $63,963,)	11.00	641,075	86,545	727,620	11.00	703,595
Other full-time staff:						
Academic (average 1997 $61,183, 1996 $59,526)	101.74	5,484,412	740,396	6,224,808	101.99	6,071,033
Support (average 1997 $38,381, 1996 $38,689,)	147.84	4,895,874	778,377	5,674,251	138.67	5,364,946
Part-time, casual and other staff[4]		2,716,898	236,495	2,953,393		2,599,448
	265.58	14,124,576	1,917,967	16,042,543	256.59	15,173,164
Non-recurring costs[6]				-		180,320
Other payroll expense[7]				(161,430)		(91,534)
				15,881,113		15,261,950
				$ 15,914,818		$ 15,293,249

(1) Salary includes regular base pay, overtime, lump sum payments, vacation payouts, honoraria, and any other direct cash remuneration.

(2) Employer share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental, vision, group life insurance, accidental death and dismemberment insurance and long and short-term disability plans and car allowance.

(3) Previously senior administration were provided with a vehicle, no amount was included in the benefits and allowance figure as the value could not be reasonably obtained. In 1997 the College changed to providing car allowance instead of a vehicle.

(4) Part-time staff consists of individuals who work less than 29 hours per week.

(5) Number of individuals represents a weighted average count except for Board chairman and members.

(6) Non-recurring costs represent severance payments.

(7) Other payroll expense includes changes in vacation and pension liabilities, and professional development entitlements.

Note 19 Changes in Working Capital Accounts

	1997	1996
Changes in working capital accounts:		
Accounts receivable	$ (264,649)	$ (458,800)
Inventories	(94,064)	(72,229)
Prepaid expenses and deposits	23,218	383,731
Accounts payable and accrued liabilities	(96,777)	(243,143)
Accrued vacation pay	(161,430)	324,308
Unearned revenue	(11,253)	(19,534)
Deferred contributions	37,603	198,424
	$ (567,352)	$ 112,757

Note 20 Investment Income

	1997	1996
Interest earned on term deposits	$ 254,555	$ 516,666
Interest earned on operating funds	22,655	80,018
Total interest earned	277,210	596,684
Transferred to deferred contributions	(28,619)	(41,762)
	$ 248,591	$ 554,922

Note 21 Commitments

Future minimum annual lease payments under operating leases are:

1998	$	243,173
1999		158,048
2000		152,137
2001		118,974
2002		45,357

Note 22 Financial Instruments

The College's exposure to interest rate risk at June 30, 1997, relates to its short-term investments of $3,500,000. The investments have an effective interest rate of 3.25% and mature August 25, 1997.

The fair value of the College's financial assets and liabilities included in current and non-current assets and liabilities approximate their carrying value as at June 30, 1997.

Note 23 Related Party Transactions - Keyano College Foundation

The Keyano College Foundation is a registered public foundation, and receives donations from various sources for the advancement of Keyano College.

During the year, the Foundation transferred $582,478 (1996 $572,238) to the College. The College contributed $85,765 (1996 $83,700) towards salaries and benefits of the Foundation staff. In addition, the College provided certain administrative services and accommodation at no cost to the Foundation.

At June 30, 1997, the Keyano College Foundation had net assets of $248,529 available for transfer to the College.

Note 24 Budget

The College's Board of Governors approved the following budget on April 10, 1996:

Revenue:		
Base grant	$	14,113,572
Other grants		674,973
Tuition		2,145,383
Education contracts		1,416,149
Donations		46,100
Sales, rentals and services		3,802,282
Investments		345,000
	$	22,543,459
Expense, capital allocation and transfers to reserves:		
Instruction	$	9,912,033
Academic support		1,824,357
Student services		1,023,607
Institutional support		5,862,652
Computing services		446,816
Ancillary services		2,609,942
Capital allocation		600,000
Transfers to reserves		264,052
	$	22,543,459

The approved budget does not contain amounts for amortization of deferred capital contributions, loss or gain on disposal of assets, amortization, scholarships and bursaries, repairs and maintenance, and interest on long-term debt.

Note 25 Comparative Figures

Certain 1996 comparative figures have been reclassified where necessary to conform to current year's financial statements.

Note 26 Approval of Financial Statements

These financial statements were approved by the Board of Governors.

LAKELAND COLLEGE
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 1997

AUDITOR'S REPORT

To the Board of Governors of
Lakeland College

I have audited the consolidated statement of financial position of Lakeland College as at June 30, 1997 and the consolidated statements of operations, changes in net assets, and changes in financial position for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the College as at June 30, 1997 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Original signed by
Peter Valentine, FCA
Auditor General

Edmonton, Alberta
February 9, 1998

LAKELAND COLLEGE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 1997

	1997	1996
ASSETS		
Current:		
Cash and short-term investments	$ 8,679,263	$ 7,544,577
Accounts receivable	674,483	526,950
Deferred expenses	78,672	133,430
Inventories (Note 4)	612,138	715,082
Capital assets held for sale	293,599	-
	10,338,155	8,920,039
Short-term investments (Note 5)	1,193,468	1,099,826
Patronage dividends receivable	19,029	21,133
Capital assets (Note 6)	61,002,937	64,917,190
	$ 72,553,589	$ 74,958,188
LIABILITIES AND NET ASSETS		
Current:		
Accrued vacation pay	$ 1,032,090	$ 1,110,401
Accounts payable	769,289	609,716
Unearned revenue (Note 7)	472,476	552,810
Deferred contributions (Note 8)	745,774	280,401
	3,019,629	2,553,328
Long-term:		
Unamortized expended capital contributions (Note 9)	53,494,528	56,760,627
Pension liability (Note 10)	313,000	1,036,000
	53,807,528	57,796,627
Net assets:		
Operations:		
Unrestricted	2,035,397	1,274,163
Internally restricted (Note 11)	4,695,559	4,077,681
Invested in capital assets	7,802,008	8,156,563
Endowments (Note 12)	1,193,468	1,099,826
	15,726,432	14,608,233
	$ 72,553,589	$ 74,958,188

The accompanying notes are part of these consolidated financial statements.

LAKELAND COLLEGE
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 1997

	1997		1996
	Amended Budget (Note 18)	Actual	Actual
Revenue:			
Grants (Note 13)	$ 14,273,278	$ 14,731,481	$ 14,810,262
Tuition and related fees	3,852,067	3,881,634	3,787,269
Other sales, rentals and services (Note 14)	2,395,873	3,370,398	2,860,890
Amortization of expended capital contributions (Note 9)	2,364,000	2,364,293	2,394,050
Educational service contracts	619,936	1,237,980	1,334,959
Investments	243,000	375,805	456,952
Donations	-	86,634	210,476
Insurance proceeds	-	-	1,069,097
	23,748,154	26,048,225	26,923,955
Expense (Note 15):			
Instruction (Note 17)	9,029,563	9,548,303	9,533,666
Amortization of continuing capital assets (Note 6)	3,037,000	3,036,689	3,018,815
Costs of other sales, rentals and services (Note 14)	1,883,991	2,789,030	2,590,887
Facility operations and maintenance	2,619,212	2,730,728	2,505,063
Academic support	2,404,084	2,598,824	2,663,065
Institutional support	2,425,757	2,394,618	2,621,292
Student services	1,077,627	1,169,124	1,131,052
Computing services	626,584	637,738	504,145
Pension liability valuation adjustment	-	(723,000)	(423,000)
	23,103,818	24,182,054	24,144,985
Excess of revenue over expense before discontinued operations	644,336	1,866,171	2,778,970
Net expense on discontinued operations (Note 3)	529,320	841,614	510,506
Excess of revenue over expense	$ 115,016	$ 1,024,557	$ 2,268,464

LAKELAND COLLEGE
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 1997

	1997					1996
		Operations				
	Unrestricted	Internally Restricted	Invested in Capital Assets	Endowments	Total	Total
Excess of revenue over expense	$ 1,024,557	$ -	$ -	$ -	$ 1,024,557	$ 2,268,464
Endowment contributions	-	-	-	93,642	93,642	138,260
Transfers:						
Amortization of internally funded capital assets	779,532	-	(779,532)	-	-	-
Acquisitions of internally funded capital assets	(594,845)	-	594,845	-	-	-
To internally restricted	(541,010)	541,010	-	-	-	-
Allowance for losses on disposal of capital assets acquired with unrestricted funds	93,000	-	(93,000)	-	-	-
Proceeds from disposition of capital assets acquired with internally restricted funds	-	76,868	(76,868)	-	-	-
Increase (decrease) in net assets	761,234	617,878	(354,555)	93,642	1,118,199	2,406,724
Net assets at beginning of year	1,274,163	4,077,681	8,156,563	1,099,826	14,608,233	12,201,509
Net assets at end of year	$ 2,035,397	$ 4,695,559	$ 7,802,008	$ 1,193,468	$ 15,726,432	$ 14,608,233

LAKELAND COLLEGE
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 1997

	1997	1996
Operating activities:		
Excess of revenue over expense before discontinued operations	$ 1,866,171	$ 2,778,970
Add (deduct):		
Amortization of capital assets (Note 6)	3,143,825	3,125,951
Amortization of expended capital contributions (Note 9)	(3,271,293)	(2,394,050)
Allowance for losses on disposal of capital assets held for sale (Note 3)	1,000,000	-
Pension liability valuation adjustment	(723,000)	(423,000)
Decrease in patronage dividends receivable	2,104	2,750
Net expense on discontinued operations (Note 3)	(841,614)	(510,506)
	1,176,193	2,580,115
Net changes in non-cash working capital	182,871	(698,425)
Cash generated from operating activities	1,359,064	1,881,690
Investing activities:		
Acquisitions of capital assets	(600,039)	(435,580)
Increase in investments	(93,642)	(138,260)
Proceeds from disposal of capital assets	76,868	111,559
Capital assets transferred to assets held for sale	293,599	-
Cash applied to investing activities	(323,214)	(462,281)
Financing activities:		
Endowments received	93,642	138,260
Transfer to unamortized expended capital contributions	5,194	-
Cash generated from financing activities	98,836	138,260
Increase in cash and short-term investments	1,134,686	1,557,669
Cash and short-term investments at beginning of year	7,544,577	5,986,908
Cash and short-term investments at end of year	$ 8,679,263	$ 7,544,577

LAKELAND COLLEGE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 1997

Note 1 Authority and Purpose

Lakeland College (College) operates under the authority of the Colleges Act, Chapter C-18, Revised Statutes of Alberta 1980. The College, as an inter-provincial institution, provides quality educational services responsive to the needs of students in relation to the workplace, community and society. The College is exempt from the payment of income taxes under section 149 of the Income Tax Act and is a registered charity.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

(a) Consolidated Statements

These consolidated financial statements include the accounts of the College's wholly owned subsidiary, Lakeland Equestrian Centre Inc., incorporated in Saskatchewan, to hold real estate in that province. The College ceased to operate the Lakeland Equestrian Centre effective June 30, 1997 (Note 3).

(b) Revenue Recognition

Operating grants are recognized in the period when receivable. Operating grants received for a future period are deferred until that future period and are reported as deferred contributions.

Amounts received for tuition fees and the sale of goods and services are recognized as revenue at the time the goods are delivered or the services are provided.

Capital grants and capital donations are recorded as deferred contributions until the amounts are invested in capital assets. Amounts invested representing funded capital assets are transferred to unamortized expended capital contributions. Unamortized expended capital contributions are recognized as revenue in the periods in which the related amortization expense for the funded capital assets is recorded.

Unrestricted cash donations are recognized as revenue when they are received. Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can reasonably be determined.

Externally restricted non-capital contributions are deferred and are recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts can only be used for purposes designated by the contributors. Any externally restricted contributions containing stipulations that the amounts should be retained as net assets or that the contributions should not be expended are recorded as direct increases in net assets. Such stipulations would include contributions made for endowment purposes or to be used to acquire non-amortizable property.

(c) Capital Assets

Purchased capital assets are recorded at cost. Donated assets are recorded at fair values on donation dates. Capital assets are amortized on a straight-line basis over the following estimated average useful lives:

Buildings and site improvements	40 years
Furniture, equipment and library	10 years
Vehicles, computers and telecommunication equipment	5 years

(d) Inventories

Livestock inventory is recorded at net realizable value. All other inventories are valued at the lower of cost and net realizable value.

(e) Pension Liability and Expense

The College and its eligible employees participate in the Local Authorities Pension Plan (Plan).

The College's pension liability is its portion of the Plan's total unfunded pension liability, including deferred adjustments arising from experience gains and losses and changes in actuarial assumptions identified during new actuarial valuations. The College's portion is based upon the ratio of the pensionable earnings of its employees to the pensionable earnings of all employees in the Plan. The ratio is adjusted annually based upon the previous year's pensionable earnings of all employees in the Plan.

The actuarial valuation of the Plan was determined using the projected benefit method prorated on service. Assumptions used for the valuation are based on the Pension Board's best estimate of future events. The Plan's future experience will inevitably differ, perhaps significantly, from the assumptions. Any differences between the actuarial assumptions and future experience will be deferred and amortized as part of the pension expense over the expected average remaining service life of the employee group.

Pension expense includes pension obligations earned by employees during the year, interest on the unfunded pension liability, the amortization of deferred adjustments over the expected average remaining service life of employees, the effect of the changes in actuarial assumptions used for the latest valuation, and the effect of the change in the ratio used to allocate the Plan's total unfunded liability to participating entities.

(f) Expenses

Instruction encompasses all formal educational and instructional program elements and is reported net of revenue from the farm and daycare centre (the details are provided in Note 17 to the financial statements). Academic support includes all activities that directly support the educational and instructional elements such as academic administration, library and audio visual services. Student services includes all activities and services for the student body. Institutional support includes all activities that provide institution-wide support to other programs such as the President's office, human resources and finance.

Note 3 Discontinued Operations

Effective June 30, 1997 the College ceased to maintain facilities in five community learning centres, and ceased to operate the Lakeland Equestrian Centre. Academic upgrading programs in these centres will be delivered by other providers. Land and buildings with a net realizable value of $293,599 that were used in the discontinued operations are being held for sale. The operating results of these activities are reported as net expense on discontinued operations. Comparative figures have been reclassified to conform with this presentation. The net expense on discontinued operations is comprised of:

	1997		1996
	Amended Budget (Note 18)	Actual	Actual
Revenue	$ 468,524	$ 441,822	$ 567,651
Expense	997,844	1,190,436	1,078,157
	(529,320)	(748,614)	(510,506)
Allowance for losses on disposal of capital assets held for sale	-	(1,000,000)	-
Amortization of expended capital contributions (Note 9)	-	907,000	-
Net expense on discontinued operations	$ (529,320)	$ (841,614)	$ (510,506)

Note 4 Inventories

Inventories consist of:

	1997	1996
Livestock	$ 389,570	$ 495,330
Bookstore	174,188	170,172
Farm	38,684	39,535
Clothing	7,413	7,889
Quip Shop	2,283	2,156
	$ 612,138	$ 715,082

Note 5 Short-Term Investments

Short-term investments consist of deposits in the Consolidated Cash Investment Trust Fund of the Province of Alberta. These short-term investments are not recorded as current assets because the funds represent endowment resources that will be maintained permanently.

Note 6 Capital Assets

Capital assets consist of:

	1997			1996
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 1,555,348	$ -	$ 1,555,348	$ 1,585,348
Buildings	68,200,815	21,847,496	46,353,319	49,422,948
Site improvements	16,680,034	5,817,373	10,862,661	11,279,661
Furniture and equipment	6,798,293	5,386,516	1,411,777	1,750,343
Computers and	3,065,113	2,483,529	581,584	643,557
telecommunications equipment	588,156	447,735	140,421	162,366
Vehicles	77,546	-	77,546	46,426
Milk quotas	206,392	186,111	20,281	26,541
Library	$ 97,171,697	$ 36,168,760	$ 61,002,937	$ 64,917,190

The Province of Alberta has been granted an option to purchase for $1 the whole or any part of the land, buildings and site improvements that it transferred to the College in 1982.

Amortization of capital assets consists of:

	1997	1996
Amortization of continuing capital assets	$ 3,036,689	$ 3,018,815
Amortization of capital assets held for sale	107,136	107,136
	$ 3,143,825	$ 3,125,951

Note 7 Unearned Revenue

Unearned revenue consists of:

	1997	1996
Tuition and residence fees	$ 374,153	$ 222,146
Contract advances	79,687	152,062
Extension and community education course fees	18,636	149,284
Projects and programs	-	29,318
	$ 472,476	$ 552,810

Note 8 Deferred Contributions

Deferred contributions consist of amounts received for restricted purposes and the expendable amounts earned on endowments that can only be used in accordance with the terms of the endowments. Changes in deferred contributions are as follows:

	1997	1996
Donations and contributions received during the year for:		
Conditional grants	$ 691,114	$ -
Scholarships and bursaries	23,245	23,508
Other	-	254
	714,359	23,762
Transferred to revenue and endowment contributions	(298,636)	(201,108)
Interest on endowments	54,844	80,547
Transferred to unamortized expended capital contributions (Note 9)	(5,194)	-
Increase (decrease) during the year	465,373	(96,799)
Balance at beginning of year	280,401	377,200
Balance at end of year	$ 745,774	$ 280,401
The balance consists of funds restricted for:		
Conditional grants	$ 487,016	$ -
Scholarships and bursaries	186,446	223,311
College development	65,386	44,971
Other	6,926	12,119
	$ 745,774	$ 280,401

Note 9 Unamortized Expended Capital Contributions

Unamortized expended capital contributions represent the funded portion of capital assets which will be recognized as revenue in future periods. Changes in the unamortized expended capital contributions balance are as follows:

	1997	1996
Amortization of expended capital contributions transferred to:		
Revenue	$ (2,364,293)	$ (2,394,050)
Net expense on discontinued operations (Note 3)	(907,000)	-
	(3,271,293)	(2,394,050)
Transferred from deferred contributions (Note 8)	5,194	-
	(3,266,099)	(2,394,050)
Balance at beginning of year	56,760,627	59,154,677
Balance at end of year	$ 53,494,528	$ 56,760,627

Note 10 Pension Liability

The College participates with other employers in the Local Authorities Pension Plan (Plan). The Plan, administered by the Alberta Pensions Administration Corporation, is a defined benefits plan that provides pensions for the College's eligible employees based on their years of service and earnings.

The College's share of the Plan's unfunded pension liability is estimated at $313,000 (1996 $1,036,000). This liability is to be eliminated on or before December 31, 2036. The total unfunded pension liability for the Plan was determined by an actuarial valuation as at December 31, 1996, extrapolated to June 30, 1997. The 1996 total unfunded pension liability was determined by extrapolation of a December 31, 1995 actuarial valuation.

The actuarial valuations were determined using the projected benefit method prorated on service. Assumptions used in the valuations are based on the best estimate of future events. The Plan's future experience will inevitably vary, perhaps significantly, from the assumptions. Any difference between the actuarial assumptions and future experience will emerge as gains or losses in future valuations. Gains and losses are generally amortized over the expected average remaining service life of the employee group. Gains and losses, for which there is reasonable assurance regarding their measurement and realization, have been recognized in income immediately by the Plan, resulting in significant reductions in the unfunded liability for the Plan.

The Public Sector Pension Plans Act specifies the basis for determining the amount of the total unfunded liability for the Plan that will be funded by employers.

The decrease in the pension liability has been accounted for as a pension liability valuation adjustment.

Note 11 Net Assets Internally Restricted by the Board

Net assets internally restricted by the Board represent amounts set aside by the College's Board of Governors to be used for the following designated purposes. These amounts are not available for other purposes without the approval of the Board.

	1997	1996
Major maintenance, renovations and equipment	$ 4,649,176	$ 4,364,546
Delivery initiatives	697,876	523,607
Other	438,409	440,504
	5,785,461	5,328,657
Less planned recoveries	1,089,902	1,250,976
	$ 4,695,559	$ 4,077,681

The planned recoveries are expected from operating surpluses of the Lloydminster residence and proceeds from the disposition of the Lakeland Equestrian Centre.

Note 12 Endowments

Endowments consist of funds available for:

	1997	1996
Scholarships and bursaries	$ 773,379	$ 675,252
College development	420,089	424,574
	$ 1,193,468	$ 1,099,826

Note 13 Grants

Grant revenue consists of:

	1997 Amended Budget (Note 18)	1997 Actual	1996 Actual
Alberta Ministry of Advanced Education and Career Development:			
General operating	$ 13,106,897	$ 13,538,840	$ 13,952,363
Adult Development Program	450,000	188,532	207,419
Conditional	94,720	204,098	-
Alberta Sport, Recreation, Parks and Wildlife Foundation	76,282	59,275	63,867
Province of Saskatchewan	545,379	740,736	586,613
	$ 14,273,278	$ 14,731,481	$ 14,810,262

Note 14 Other Sales, Rentals and Services

Revenue and direct expense for other sales, rentals and services consists of:

	1997 Amended Budget (Note 18)	1997 Actual	1996 Actual
Revenue:			
Residences	$ 1,267,000	$ 1,512,912	$ 1,288,269
Bookstores	537,064	696,912	527,089
Cafeterias	58,000	540,005	511,376
Swimming pool	143,849	153,992	144,157
Other	389,960	466,577	389,999
	2,395,873	3,370,398	2,860,890
Direct expense:			
Residences	997,401	1,177,043	977,302
Bookstores	533,354	697,264	513,580
Cafeterias	23,461	487,326	529,516
Swimming pool	186,521	190,121	176,698
Other	143,254	237,276	393,791
	1,883,991	2,789,030	2,590,887
Excess of revenue over direct expense	$ 511,882	$ 581,368	$ 270,003

Note 15 Expense by Object

Operating expenses, including the expenses and allowance for losses on disposal of capital assets held for sale reported for discontinued operations (Note 3), are summarized by object as follows:

	1997 Amended Budget (Note 18)	1997 Actual	1996 Actual
Salaries and benefits (Note 16)	$ 14,750,745	$ 14,732,698	$ 15,109,002
Supplies and services	5,139,374	5,880,344	5,666,512
Amortization of capital assets (Note 6)	3,144,000	3,143,825	3,125,951
Allowance for losses on disposal of capital assets held for sale	-	1,000,000	-
Utilities and property taxes	1,067,543	1,040,978	1,067,486
Severance payments	-	574,645	254,191
	$ 24,101,662	$ 26,372,490	$ 25,223,142

Note 16 Salaries and Benefits

Salaries and benefits consist of:

	1997 Number of Individuals	1997 Salaries[a]	1997 Benefits and Allowances[b]	1997 Total	1996 Number of Individuals	1996 Total
Chairman of Board	1	$ 5,874	$ 51	$ 5,925	1	$ 5,917
Other Board members	10	37,808	236	38,044	10	33,275
		43,682	287	43,969		39,192
	Full-time Equivalents				Full-time Equivalents	
President	1.0	95,000	12,198	107,198	1.0	146,195
Vice President, Academics	1.0	79,821	10,863	90,684	0.6	66,238
Vice President, Student and College Services	-	-	-	-	0.1	7,663
Director, Finance and Information Services	1.0	72,849	10,328	83,177	1.0	78,845
Director, College Services	1.0	71,974	10,248	82,222	0.9	73,581
Principal, Llyodminister Campus/ Dean, Applied Arts	1.0	65,869	16,132	82,001		
Director, Promotions and Human Resources	1.0	69,805	10,058	79,863	1.0	78,050
Registrar	1.0	67,785	9,851	77,636	0.9	72,000
Instructor, Business[c]	-	-	-	-	1.0	75,988
Instructor, Environmental[c]	-	-	-	-	1.0	74,755
Instructor, Environmental[c]	-	-	-	-	1.0	72,683
Instructor, Business[c]	-	-	-	-	1.0	72,429
Salaried full-time staff:						
Academic (average 1997 $61,549, 1996 $58,892)	94.6	4,739,722	1,082,777	5,822,498	96.9	5,706,627
Management (average 1997 $52,785, 1996 $54,808)	31.6	1,417,041	250,967	1,668,008	34.4	1,885,402
Support (average 1997 $33,851, 1996 $33,065)	91.0	2,506,461	573,978	3,080,439	95.0	3,141,136
Part-time and temporary staff[d]		3,929,267	387,047	4,316,314		3,959,375
		$ 13,159,276	$ 2,374,734	15,534,009		15,550,159
Other payroll expense[e]				(801,311)		(441,157)
Salaries and benefits expensed in year (Note 15)				$ 14,732,698		$ 15,109,002

(a) Salaries include regular pay, bonuses, overtime, lump sum payments and honoraria.

[(b)] Benefits and allowances include the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension plans, unemployment insurance, health care, dental coverage, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans, and professional development.

[(c)] In 1997, these positions are included with salaried academic staff.

[(d)] Part-time and temporary staff include all wage, part-time and temporary staff and others remunerated on an hourly basis.

[(e)] Other payroll expense includes adjustments to vacation and pension accruals.

Note 17 Instruction Expense

Instruction expense is net of $848,514 (1996 $833,914) revenue from the farm and $63,820 (1996 $82,492) from the daycare centre. These revenues have been netted against the related expenses to reflect net costs of instruction expense.

Note 18 Amended Budget

The operating and capital budgets were approved by the Board of Governors on March 27, 1996. The operating budget does not include revenues and expenses for ad hoc programs negotiated subsequent to budget approval. The Board-approved operating budget has been amended for amortization of expended capital contributions totaling $2,364,000 and amortization of capital assets of $3,144,000 due to the accounting policy changes made by the College in 1994-95 that are not reflected in the current year's budget. Budget amounts for revenues and expenses relating to discontinued operations have been reclassified and reported as part of net expense on discontinued operations.

The approved capital budget provided $373,317 (actual $600,039) for acquisitions of capital assets.

Note 19 Lease Commitments

The College has the following operating lease commitments:

1997-98	$	127,643
1998-99		114,486
1999-2000		83,200
2000-01		58,865
2001-02		54,555
	$	438,749

Note 20 Comparative Figures

The 1996 figures have been reclassified where necessary to conform to 1997 presentation.

Note 21 Approval of Financial Statements

These financial statements were approved by the Board of Governors.

LETHBRIDGE COMMUNITY COLLEGE
COMBINED FINANCIAL STATEMENTS
JUNE 30, 1997

AUDITOR'S REPORT

To the Board of Governors of
Lethbridge Community College

I have audited the combined statement of financial position of Lethbridge Community College as at June 30, 1997 and the combined statements of revenue and expense, changes in net assets, and changes in financial position for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these combined financial statements present fairly, in all material respects, the financial position of the College as at June 30, 1997 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Original signed by
Peter Valentine, FCA
Auditor General

Edmonton, Alberta
October 10, 1997

LETHBRIDGE COMMUNITY COLLEGE
COMBINED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 1997

	1997	1996 (As restated) (Note 3)
ASSETS		
Current:		
Cash and investments (Note 4)	$ 4,227,180	$ 4,512,025
Accounts receivable (Note 5)	1,467,711	1,285,764
Accrued investment income	139,254	121,513
Inventories (Note 6)	579,132	542,496
Prepaid expenses	115,109	97,233
	6,528,386	6,559,031
Non-current cash and investments (Note 4)	4,190,148	4,903,466
Capital assets (Note 7)	41,709,988	42,900,604
	$ 52,428,522	$ 54,363,101
LIABILITIES AND NET ASSETS		
Current:		
Bank overdraft	$ 1,368,294	$ 1,750,002
Accounts payable and accrued liabilities	718,936	531,722
Accrued vacation pay	493,479	467,707
Unearned revenue (Note 8)	906,080	983,891
Deferred contributions (Note 9)	1,171,752	551,538
	4,658,541	4,284,860
Long-term:		
Pension obligation (Note 10)	465,854	1,443,960
Unamortized deferred capital contributions (Note 11)	37,585,903	39,650,322
	38,051,757	41,094,282
	42,710,298	45,379,142
Net assets:		
Available accumulated excess (deficiency) of revenue over expense (Note 12)	642,473	(52,104)
Net assets internally restricted (Note 13)	2,346,315	3,240,049
Investment in capital assets (Note 7)	4,124,085	3,250,282
Restricted for endowment purposes (Note 14)	2,605,351	2,545,732
	9,718,224	8,983,959
	$ 52,428,522	$ 54,363,101

The accompanying notes are part of these financial statements.

LETHBRIDGE COMMUNITY COLLEGE
COMBINED STATEMENT OF REVENUE AND EXPENSE
FOR THE YEAR ENDED JUNE 30, 1997

	1997 Budget (Note 23)	1997 Actual	1996 Actual (As restated) (Note 3)
Revenue:			
Grants, Province of Alberta	$ 16,524,512	$ 16,730,317	$ 16,566,020
Grants, other	178,991	585,670	817,038
Tuition fees	7,672,653	7,455,106	6,254,296
Contract programs	1,579,315	1,709,960	1,309,193
Ancillary services (Note 15)	3,806,029	3,655,220	3,386,707
Sales, rentals and services	419,527	884,856	625,790
Investment income (Note 16)	191,480	352,813	540,476
Donations	-	252,714	265,019
Amortization of deferred capital contributions (Note 11)	2,616,568	2,764,555	2,607,308
	32,989,075	34,391,211	32,371,847
Expense (Note 18):			
Instruction	15,773,159	17,281,758	15,617,262
Academic support	2,692,111	2,521,806	2,583,421
Student services	1,143,981	1,291,366	1,182,625
Institutional support	5,776,440	5,417,452	5,387,356
Ancillary services (Note 15)	3,321,407	3,231,827	3,018,495
Scholarships and bursaries	-	77,119	75,382
Public services	6,450	271,709	56,116
Independent operations	-	111,318	86,278
Computer services	961,700	1,016,851	972,032
Amortization of capital assets	3,086,740	3,240,983	3,085,299
	32,761,988	34,462,189	32,064,266
Excess (deficiency) of revenue over expense before unallocated pension valuation adjustment	$ 227,087	(70,978)	307,581
Unallocated pension valuation adjustment (Note 10)		745,624	-
Excess of revenue over expense		$ 674,646	$ 307,581

LETHBRIDGE COMMUNITY COLLEGE
COMBINED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 1997

	1997 Available Accumulated Excess of Revenue Over Expense	1997 Net Assets Internally Restricted (Note 13)	1997 Investment in Capital Assets (Note 7)	1997 Restricted for Endowment Purposes (Note 14)	1997 Total	1996 Total (As restated) (Note 3)
Balance at beginning of year, as restated	$ (52,104)	$ 3,240,049	$ 3,250,282	$ 2,545,732	$ 8,983,959	$ 8,607,367
Excess of revenue over expense	674,646	-	-	-	674,646	307,581
Net assets restricted by the Board	893,734	(893,734)	-	-	-	-
Capital assets acquired from internal funds	(1,395,101)	-	1,395,101	-	-	-
Amortization of internally funded capital assets	521,298	-	(521,298)	-	-	-
Endowment contributions received	-	-	-	59,619	59,619	69,011
Balance at end of year	$ 642,473	$ 2,346,315	$ 4,124,085	$ 2,605,351	$ 9,718,224	$ 8,983,959

LETHBRIDGE COMMUNITY COLLEGE
COMBINED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 1997

	1997	1996 (As restated) (Note 3)
Operating activities:		
Excess of revenue over expense	$ 674,646	$ 307,581
Amortization of capital assets	3,240,983	3,085,299
Decrease in pension obligation	(978,106)	(459,040)
Amortization of deferred capital contributions	(2,764,555)	(2,607,308)
	172,968	326,532
Changes in non-cash working capital:		
Accounts receivable	(181,947)	90,216
Accrued investment income	(17,741)	111,706
Inventories	(36,636)	(31,889)
Prepaid expenses	(17,876)	35,381
Accounts payable and accrued liabilities	187,214	(661,915)
Accrued vacation pay	25,772	(33,406)
Unearned revenue	(77,811)	533,583
Deferred non-capital contributions	604,329	162,603
	485,304	206,279
Cash generated from operating activities	658,272	532,811
Investing activities:		
Acquisition of capital assets:		
From internal funds	(1,395,101)	(1,317,712)
From deferred contributions	(700,136)	(84,237)
Proceeds from disposal of capital assets	44,870	13,037
Decrease (increase) in non-current cash and investments	713,318	(138,903)
Cash applied to investing activities	(1,337,049)	(1,527,815)
Financing activities:		
Increase (decrease) in deferred capital contributions	15,885	(23,603)
Capital contributions received	700,136	84,237
Endowment contributions received	59,619	21,590
Cash generated from financing activities	775,640	82,224
Increase (decrease) in current cash and investments, net of change in bank overdraft	96,863	(912,780)
Current cash and investments, net of bank overdraft, beginning of year	2,762,023	3,674,803
Current cash and investments, net of bank overdraft, end of year	$ 2,858,886	$ 2,762,023

LETHBRIDGE COMMUNITY COLLEGE
NOTES TO THE COMBINED FINANCIAL STATEMENTS
JUNE 30, 1997

Note 1 Authority and Purpose

Lethbridge Community College was established as a board governed institution on April 17, 1957. The College operates under the authority of the Colleges Act, Chapter C-18, Statutes of Alberta 1980, as amended. The College provides educational programs to serve the career education and training needs of students and employers and to respond to personal and community development needs through an extensive offering of general interest courses and public service outreach activities. The College is a registered charity and is exempt from payment of income tax.

Note 2 Significant Accounting Policies and Reporting Practices

(a) Combined Statements

These combined financial statements include the accounts of Lethbridge Community College Foundation ("the Foundation"), which operates under the Alberta Companies Act. The Foundation solicits, receives and administers donations for the advancement of the College. Certain administrative services are provided by the College without charge to the Foundation. The Foundation is a registered public foundation and is exempt from payment of income tax.

Accordingly, the accounts of the two organizations have been combined to reflect the financial position and results of operations as though they were a single economic entity. Inter-entity balances and transactions have been eliminated on combination.

(b) Revenue Recognition

Operating grants are recognized in the period when receivable except that operating contributions received for a future period are reported as deferred contributions until that future period, when they are transferred to revenue.

Capital contributions are recorded as deferred contributions until the amount is invested in capital assets. Amounts invested representing funded amortizable capital assets are then transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are recognized as revenue in the periods in which the related amortization expense of the funded capital asset is recorded. The related portion of amortization expense and the deferred capital contributions revenue are matched to indicate that the related amortization expense has been funded.

Externally restricted non-capital contributions and externally restricted interest earned on contributions are deferred and are recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts can only be used for purposes designated by external parties. If the contributors stipulate that the amounts cannot be expended, as is the case with endowments, the contributions are recorded as direct increases in net assets.

Donations which are not externally restricted are recognized as revenue when they are received. Donations of materials and services that would otherwise have been purchased are recorded at fair value.

Amounts received for tuition fees, and sale of goods and services are classified as unearned and recognized as revenue at the time the goods are delivered or the services are provided.

(c) Net Assets Internally Restricted

Net assets internally restricted represent amounts set aside by the College Board of Governors, or by the Foundation Board of Directors, to be used for designated purposes.

(d) Investments

Investments consist of short-term deposits, treasury bills and an equity investment (see Note 4). Short-term deposits and treasury bills are recorded at cost or market value, whichever is the lower. The equity investment is recorded at fair value at the date the investment was received as a donation, increased by net income earned and retained from that date.

(e) Capital Assets

Acquisition of capital assets are recorded at cost, except donated assets which are recorded at fair value.

Capital assets are amortized on a straight-line basis over the following average useful lives:

Buildings and site improvements	40 years
Leasehold improvements	Period of lease
Furnishings and equipment	10 years
Library	10 years
Motor vehicles	5 years
Computer equipment and systems software	5 years
Audio and visual equipment	2 years

Art is recorded at the appraised value at the time of donation. The permanent art collection is not amortized. The collection is made up of numerous pieces of art that are held for display at the College.

(f) Inventories

Inventories held for resale are valued at the lower of cost and net realizable value. Inventories held for consumption are valued at the lower of cost and replacement value.

(g) Pension Obligation and Expense

The College and its eligible employees participate in the Local Authorities Pension Plan. Pension costs are disclosed as part of salaries, honoraria, benefits and allowances, and as an unallocated pension valuation adjustment.

That part which is included in salaries, honoraria, benefits and allowances comprises:

- the cost of pension benefits earned by employees during the year;
- investment income on the College's share of the unfunded pension liability;
- the amortization of deferred gains and losses over the expected average remaining service life of employees which relate to the long-term; and
- the effect of the change in the ratio used to allocate the Plan's total unfunded obligation to participating entities.

The unallocated pension valuation adjustment is to recognize immediately the effect on the pension obligation when there is reasonable assurance that a gain or loss has been realized.

(h) Expense

Instruction encompasses all formal educational and instructional program elements. Academic support includes all activities that directly support the educational and instructional elements such as academic administration, library and audio visual services. Student services includes all activities or services to the student body of the College. Institutional support includes all activities that provide institution-wide support to other programs. Public services is primarily for the benefit of groups or individuals external to the College and includes services provided through conferences and other cooperative services. Independent operations are elements that are independent of or unrelated to the primary mission of the College but are either controlled or influenced by it.

Note 3 Prior Period Adjustments

(a) Previously, the statement of financial position included the accounts of funds held on behalf of others. These amounts are held in trust for associated organizations. Certain of these funds previously classified as funds held on behalf of others are controlled by the College. In 1997, with retroactive effect, the College reclassified those funds controlled by the College as net assets internally restricted and removed from the statement of financial position those funds previously classified as funds held on behalf of others which are not controlled by the College.

The effect of this change was to decrease cash and investments by $3,750 (1996 $3,850), increase non-cash working capital by $1,733,181 (1996 $1,880,504), increase bank overdraft by $1,315,951 (1996 $1,351,647), increase net assets internally restricted by $413,480 (1996 $525,007), increase revenue by $21,744 (1996 $8,944) and increase expense by $133,271 (1996 $6,206).

(b) Previously, certain funds restricted by the Board for capital replacement were included in available accumulated excess of revenue over expense. In 1997, with retroactive effect, the College reclassified these funds to net assets internally restricted. The effect of this change was to decrease (increase) available accumulated excess (deficiency) of revenue over expense by $2,026,936 (1996 $2,279,377) and increase net assets internally restricted by $2,026,936 (1996 $2,279,377).

(c) Previously, earnings on College funded scholarships were included in deferred contributions. In 1997, with retroactive effect, the College reclassified these funds to net assets internally restricted. The effect of this change was to decrease deferred contributions by $105,674 (1996 $103,586), increase net assets internally restricted by $105,674 (1996 $103,586) and increase excess of revenue over expense by $2,088 (1996 $6,410).

(d) Previously, certain endowment contributions and other externally restricted contributions administered by the Foundation were recognized as revenue as received. In 1997, with retroactive effect, these amounts were reclassified to deferred contributions and endowments as appropriate. The effect of this change was to decrease deferred contributions by $147,737 (1996 $49,331), increase (decrease) net assets internally restricted by $147,737 (1996 $(12,159)) and increase endowments by $Nil (1996 $61,490).

In addition, an amount received in the prior year under the Western Grain Transition Program in excess of the qualifying amount was repaid. This amount had been reflected as a component of an endowment (see Note 4(a)). In 1997, with retroactive effect, the Foundation restated the balance of its endowments to reflect this. The effect of this change was to decrease non-current cash and investments by $Nil (1996 $6,574) and decrease endowments by $Nil (1996 $6,574).

The accumulative effect of the changes was to increase the net assets at July 1, 1995 by $662,202.

Note 4 Cash and Investments

	1997	1996
Cash, short-term deposits and treasury bills	$ 8,357,831	$ 8,550,927
Temporary investment[(a)]	59,497	864,564
	8,417,328	9,415,491
Amounts held for non-current purposes	(4,190,148)	(4,903,466)
Amounts held for current purposes	$ 4,227,180	$ 4,512,025

(a) On December 22, 1994, the Foundation received a donation of 100% of the shares of an Alberta registered private corporation, valued as follows:

	Year ended June 30, 1997	Year ended June 30, 1996 (As restated) (Note 3)
Equity in net assets of the corporation at beginning of period, as restated	$ 864,564	$ 824,478
Dividends paid to the Foundation by the corporation	(116,200)	-
Transfer of equity in the corporation to the Foundation	(243,234)	-
Donation paid to the Foundation by the corporation	(470,000)	-
Net income, excluding donation paid to the Foundation, earned by the corporation during the period	24,367	40,086
Equity in net assets of the corporation at end of period	$ 59,497	$ 864,564

The temporary investment forms part of an endowment and, accordingly, is included in investments held for non-current purposes.

The Foundation intends to liquidate the assets and wind-up the corporation.

Note 5 Accounts Receivable

	1997	1996
Contract programs	$ 530,439	$ 449,007
Department of Advanced Education and Career Development	233,638	277,880
Other, Province of Alberta	163,055	96,826
Tuition fees	155,174	171,746
Other	385,405	290,305
	$ 1,467,711	$ 1,285,764

Note 6 Inventories

	1997	1996
Bookstore	$ 375,708	$ 330,680
Distance Education Centre	86,785	88,708
Printing	46,465	66,232
Cafeteria	23,891	23,138
Other	46,283	33,738
	$ 579,132	$ 542,496

Note 7 Capital Assets

(a) Summary of Cost and Net Book Value

	1997			1996
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 432,635	$ -	$ 432,635	$ 432,635
Buildings and site improvements	65,237,456	27,933,535	37,303,921	39,042,201
Leasehold improvements	49,826	29,896	19,930	29,896
Furnishings and equipment	9,704,235	8,168,704	1,535,531	1,624,546
Library	1,095,470	879,173	216,297	238,813
Motor vehicles	688,203	470,445	217,758	88,541
Computer equipment and systems software	7,481,351	5,882,621	1,598,730	1,056,149
Audio and visual equipment	699,449	684,612	14,837	17,474
Permanent art collection	370,349	-	370,349	370,349
	$ 85,758,974	$ 44,048,986	41,709,988	42,900,604
Unamortized deferred capital contributions			37,585,903	39,650,322
Net investment in capital assets			$ 4,124,085	$ 3,250,282

(b) Capital Acquisitions

Capital acquisitions during the year included certain donations-in-kind at a fair value of $62,193 (1996 $34,865).

Note 8 Unearned Revenue

	1997	1996
Contract programs	$ 494,771	$ 467,250
Tuition fees	318,211	408,012
Other	93,098	108,629
	$ 906,080	$ 983,891

At June 30, 1997, the College has received commitments from students for 1997-98 tuition fees, in addition to the above tuition fees, amounting to $2,592,834.

Note 9 Deferred Contributions

Deferred contributions represent donations and contributions received relating to future years and unspent funds for restricted purposes. Changes in the deferred contributions balance are as follows:

	1997	1996
Contributions received:		
Donations and contributions	$ 1,679,677	$ 429,464
Investment income on net assets externally restricted for endowment purposes (Note 16)	78,432	109,801
Transferred to:		
Grants, Province of Alberta	(156,690)	(25,164)
Donations and contributions	(252,714)	(265,019)
Investment income (Note 16)	(28,355)	(25,845)
Unamortized deferred capital contributions	(700,136)	(84,237)
Increase during the year	620,214	139,000
Balance at beginning of year	551,538	412,538
Balance at end of year	$ 1,171,752	$ 551,538

The balance at end of year represents funds held for the following purposes:

	1997	1996
Non-capital activities:		
Performance-based grants	$ 530,000	$ -
Access fund grants	93,142	80,184
Annual donated scholarships	26,194	15,970
Other	10,508	9,390
Endowment earnings:		
External scholarships	363,810	340,440
Kodiak Athletics Fund	43,280	33,189
Talbot Education Fund	34,953	28,786
Agricultural Development Fund	15,444	9,492
Industrial Technology Fund	12,942	10,288
Native Canadian Fund	8,352	6,994
Environmental Fund	1,438	1,001
	1,140,063	535,734
Capital activities:		
Endowment earnings	31,689	15,804
	$ 1,171,752	$ 551,538

Note 10 Pension Obligation

The College participates with other employers in a defined benefit pension plan, the Local Authorities Pension Plan. The Plan provides pensions for the College's employees based on length of service and earnings. The College's unfunded pension liability as at June 30, 1997 is $465,854 (1996 $1,443,960).

The total unfunded pension obligation for the Plan as at June 30, 1997, was determined by actuarial valuations as at December 31, 1995, extrapolated to June 30, 1997, using pensionable salaries. The 1996 comparative figure was determined using valuations as at December 31, 1993, extrapolated to June 30, 1996.

The actuarial valuation was determined using the projected benefit method prorated on service. Assumptions used in the valuation are based on the Pension Board's best estimate of future events. Future experience will inevitably vary, perhaps significantly, from the assumptions. Any difference between the actuarial assumptions and the future experience will emerge as gains or losses in future valuations. Gains or losses which relate to the long-term are amortized over the expected average remaining service life of the employee group. Gains or losses for which there is reasonable assurance regarding their measurement and realization are recognized in income immediately.

The Public Service Pension Plans Act specifies the basis to determine the amount of the unfunded obligation which will be funded by employers. The College's portion of the employers' obligation was based on the College's percentage of total pensionable payroll of all employees in the Plan.

The decrease in the pension obligation has been accounted for as follows:

	1997	1996
Allocated to program expenses	$ 232,482	$ 459,040
Unallocated pension valuation adjustment	745,624	-
	$ 978,106	$ 459,040

Note 11 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the funded portion of capital assets which will be recognized as revenue in future periods. Changes in the unamortized deferred capital contributions balance are as follows:

	1997	1996
Balance at beginning of year	$ 39,650,322	$ 42,173,393
Add amount transferred from deferred contributions (Note 9)	700,136	84,237
Less amount amortized to revenue	(2,764,555)	(2,607,308)
Balance at end of year	$ 37,585,903	$ 39,650,322

Note 12 Available Accumulated Excess of Revenue Over Expense

Through the enactment of the Public Sector Pension Plans Act, the provincial government has placed the responsibility for a share of past unfunded pension obligation upon the College. As a result, the College has recorded a liability to reflect the portion it is now required to fund.

In 1994, the accrual of this obligation resulted in a reduction to the net assets balance of $1,903,862. Annual adjustments extrapolated from actuarial valuations may affect the net asset balance until the obligation is fully funded through contributions by the College. Accumulated annual adjustments and payments of $1,438,008 has reduced the liability to $465,854 as at June 30, 1997. It is estimated the obligation will be fully funded by December 31, 2036.

Current services obligations are fully funded by participating employees and the College.

Note 13 Net Assets Internally Restricted

Net assets internally restricted are held for the following purposes:

	Balance at Beginning of Year	Transfers to and from Available Accumulated Excess of Revenue over Expense: Deduct Funds Returned	Transfers to and from Available Accumulated Excess of Revenue over Expense: Add Funds Appropriated	Balance at End of Year
Non-capital activities:				
Staff and program development	$ 379,396	$ 256,702	$ 174,205	$ 296,899
Foundation general reserve	167,638	369,347	355,275	153,566
College funded scholarships - endowment earnings	103,586	7,200	9,288	105,674
Alumni Association income trust	75,442	-	3,265	78,707
International education	37,460	-	34,353	71,813
Renewable resource management institute	81,492	48,030	12,368	45,830
Early retirement benefits	27,525	4,505	1,108	24,128
Kodiak Team funds	23,518	51,942	44,375	15,951
Other	2,062	4,467	3,044	639
	898,119	742,193	637,281	793,207
Capital replacement	2,341,930	2,670,627	1,881,805	1,553,108
	$ 3,240,049	$ 3,412,820	$ 2,519,086	$ 2,346,315

The net transfer to available accumulated excess of revenue over expense comprises:

Funds returned	$ 3,412,820
Funds appropriated	2,519,086
	$ 893,734

Note 14 Endowments

Endowments consist of restricted donations to the College and internal allocations by the Board of Governors, the principal of which is required to be maintained intact. The investment income generated from endowments must be used in accordance with the various purposes established by the donors or the Board of Governors. Endowments comprise the following:

	Balance at Beginning of Year	Contributions	Balance at End of Year
Externally restricted endowments:			
Agricultural Development Fund	$ 1,194,712	$ 23,752	$ 1,218,464
Scholarships	844,432	13,867	858,299
Kodiak Athletics Fund	199,352	2,500	201,852
Talbot Education Fund	113,064	2,500	115,564
Industrial Technology Fund	45,000	17,000	62,000
Native Canadian Fund	24,400	-	24,400
Education Fund	9,104	-	9,104
	2,430,064	59,619	2,489,683
Internally allocated endowments:			
College funded scholarships	115,668	-	115,668
	$ 2,545,732	$ 59,619	$ 2,605,351

Note 15 Ancillary Services

Ancillary services revenue and direct expense are summarized as follows:

	1997 Revenue	1997 Direct Expense	1997 Net	1996 Net
Bookstore	$ 1,651,541	$ 1,392,424	$ 259,117	$ 196,571
Cafeteria	709,930	591,261	118,669	74,715
Residence	606,470	540,816	65,654	98,712
Meat store	328,871	281,661	47,210	38,618
Daycare centre	155,328	137,682	17,646	5,794
Physical education building	162,412	205,571	(43,159)	4,027
Health services	28,649	69,082	(40,433)	(42,746)
Athletics - special events	12,019	13,330	(1,311)	(7,479)
	$ 3,655,220	$ 3,231,827	$ 423,393	$ 368,212

Note 16 Investment Income

	1997	1996
Investment income on net assets restricted for endowment purposes (Note 9)	$ 78,432	$ 109,801
Less amounts deferred in the period	(50,077)	(83,956)
	28,355	25,845
Add investment income from other sources	324,458	514,631
Total investment income recognized as revenue	$ 352,813	$ 540,476

Note 17 Salaries and Benefits

	1997 Number of Individuals[a]	1997 Salary[b]	1997 Benefits and Allowances[c]	1997 Total	1996 Number of Individuals[a]	1996 Total
Chairman of the Board of Governors	1.0	$ 4,700	$ 46	$ 4,746	1.0	$ 5,039
Board members[d]	9.0	21,020	286	21,306	9.0	19,613
	10.0	25,720	332	26,052	10.0	24,652
President[e]	1.0	104,468	12,027	116,495	1.0	112,679
Vice President - Administration[e]	1.0	82,883	14,801	97,684	1.0	96,933
Vice President - Academic[e]	0.0	-	-	-	1.0	100,053
Dean of Student Services and Academic Support	1.0	74,777	10,358	85,135	1.0	82,567
Dean of Continuing Studies and College Development	1.0	74,777	10,322	85,099	1.0	84,409
Dean of Science and Technology	1.0	74,777	10,084	84,861	1.0	88,468
Dean of Business and Industry	1.0	74,777	10,322	85,099	1.0	84,411
Directors/Managers (average 1997 $55,286; 1996 $54,727)	34.7	1,635,759	282,682	1,918,441	34.5	1,888,070
Other full-time staff:						
Administration (average 1997 $43,670; 1996 $43,267)	10.0	374,704	61,999	436,703	9.0	389,405
Academic (average 1997 $53,740; 1996 $53,865)	149.3	6,842,017	1,181,304	8,023,321	150.5	8,106,656
Support (average 1997 $28,312; 1996 $28,049)	173.0	4,154,813	743,087	4,897,900	167.5	4,698,245
Non-salaried staff[f]:						
Administration		223,588	18,303	241,891		325,366
Academic		4,452,148	529,856	4,982,004		4,171,351
Support		1,163,565	197,075	1,360,640		1,312,622
		19,358,773	3,082,552	22,441,325		21,565,887
Other payroll adjustments:						
Severance payments[z]		105,665	-	105,665		17,380
Early retirement payments		-	4,505	4,505		4,848
Vacation accruals		13,727	12,046	25,773		(33,406)
Pension accruals		-	(232,482)	(232,482)		(459,040)
Memberships and tuitions[h]		-	(1,268)	(1,268)		(1,278)
	383.0	$ 19,478,165	$ 2,865,353	$ 22,343,518	378.5	$ 21,094,391

[(a)] Except for Board members, the number of individuals is expressed as full-time equivalents.

[(b)] Salary includes regular base pay, overtime, shift differential, vacation pay, sick-time payments, honoraria and any other direct cash remuneration.

[(c)] Benefits and allowances include the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension plans, unemployment insurance, workers compensation, health care, dental coverage, group life insurance, accidental disability and dismemberment, educational sabbaticals, vacation payouts, vehicle allowances, professional memberships and remission of tuition fees.

[(d)] Board members include one representative from each of the academic and support staff and their stipends as Board members. Their salaries and benefits as full-time employees is included under other full-time staff.

[(e)] Executive compensation packages include: a vehicle provided to the President and cash vehicle allowances paid to the Vice Presidents. No amount is included for the vehicle as there is no cash payment whereas the cash allowances are included in the benefits and allowances.

[(f)] Non-salaried staff comprise individuals who work less than 29 hours per week; benefits consist of contributions to Unemployment Insurance, Canada Pension Plan and Workers' Compensation.

[(g)] During the year, the College identified two (1996 - two) redundant positions which resulted in severance payments made.

[(h)] Professional memberships and remission of tuition fees are disclosed as benefits, however, this adjustment reflects the payments that are being made out of accounts other than payroll.

Note 18 Expense by Object

	1997 Budget (Note 23)	1997 Actual	1996 Actual
Academic salaries, contracts and honoraria	$ 11,072,012	$ 11,678,784	$ 10,966,923
Support staff salaries, contracts and honoraria	5,114,922	5,294,542	5,021,466
Administrative salaries, contracts and honoraria	3,201,865	3,015,160	3,058,218
Benefits	2,670,609	2,355,032	2,047,784
	22,059,408	22,343,518	21,094,391
Cost of sales, rentals and services	2,353,432	2,502,370	2,250,469
Facilities, site and equipment maintenance, renovations and rentals	1,332,486	1,824,059	1,672,402
Office, instructional and general supplies	1,405,678	1,800,336	1,373,811
Utilities, insurance, taxes and licences	1,383,444	1,472,104	1,361,203
Advertising, promotion and recruitment	272,484	322,550	323,913
Travel and field trips	440,084	528,166	493,441
Professional development	364,559	244,952	216,067
Student aid and functions	18,493	97,557	99,238
Professional services fees	45,180	85,594	94,032
Amortization of capital assets	3,086,740	3,240,983	3,085,299
	$ 32,761,988	$ 34,462,189	$ 32,064,266

Note 19 **Funds Held on Behalf of Others**

Lethbridge Community College provides administrative services and administers funds on behalf other organizations. These amounts are held in trust but are not included in the College's statement of financial position and are summarized as follows:

	1997	1996
Lethbridge Community College Students Association, clubs and activities	$ 424,197	$ 359,420
Chinook Educational Consortium	261,973	308,151
Professional development enhancement	106,742	134,723
Agricultural programs and research projects	85,850	77,177
Associated agencies	71,833	70,630
Employee funds for sabbaticals	-	76,744
Other programs and institutes	102,662	82,151
	$ 1,053,257	$ 1,108,996

Note 20 **Financial Instruments**

The exposure to interest rate risk at June 30, 1997 relates to the short-term deposits and treasury bills of $8,306,054. These investments have a fixed weighted average interest rate of 3.6%, all of which expire within the next fiscal period.

The fair values of the financial assets and liabilities included in current and non-current assets and liabilities approximate their carrying values as at June 30, 1997.

Note 21 **Subsequent Events**

Subsequent to the year end, the College entered into an agreement with the Eastern Irrigation District for the purposes of carrying on research, production and distribution of Grass Carp fish for biological weed control and potential commercial uses and markets.

Note 22 **Comparative Figures**

Certain 1996 figures have been reclassified to conform to 1997 presentation.

Note 23 **Budget**

The 1997 budget was approved by the Board of Governors on April 23, 1996. Amounts for donations, scholarships and bursaries, independent operations and unallocated pension valuation adjustment were not included in the budget.

Note 24 **Approval of Financial Statements**

These financial statements have been approved by the Board of Governors.

MEDICINE HAT COLLEGE
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 1997

AUDITOR'S REPORT

To the Board of Governors of
Medicine Hat College

I have audited the consolidated statement of financial position of Medicine Hat College as at June 30, 1997 and the consolidated statements of operations, changes in financial position and changes in net assets for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly the financial position of the College as at June 30, 1997 and the results of the operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Original signed by
Peter Valentine, FCA
Auditor General

Edmonton, Alberta
September 25, 1997

MEDICINE HAT COLLEGE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 1997

	1997	1996
ASSETS		
Current:		
Cash and short-term investments (Note 4)	$ 3,541,640	$ 2,960,261
Accounts receivable	523,467	454,481
Inventories (Note 3)	273,634	249,062
Prepaid expenses	122,952	103,931
	4,461,693	3,767,735
Long-term investments (Note 4)	3,638,595	4,370,310
Capital assets (Note 5)	23,988,038	25,166,192
	27,626,633	29,536,502
	$ 32,088,326	$ 33,304,237
LIABILITIES AND NET ASSETS		
Current:		
Accounts payable	$ 1,093,498	$ 1,101,564
Unearned revenue (Note 6)	428,972	389,076
Deferred contributions (Note 7)	356,915	298,487
Accrued vacation pay	312,842	279,337
	2,192,227	2,068,464
Unamortized expended capital contributions (Note 9)	18,059,069	19,740,841
Pension liability (Note 8)	224,000	769,000
	18,283,069	20,509,841
Net assets:		
Operating:		
Invested in capital assets	5,928,969	5,425,350
Internally restricted (Note 10)	3,159,989	3,810,415
Unrestricted	1,309,735	486,307
	10,398,693	9,722,072
Endowments	1,214,337	1,003,860
	11,613,030	10,725,932
	$ 32,088,326	$ 33,304,237

The accompanying notes are part of these financial statements.

MEDICINE HAT COLLEGE
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 1997

	1997 Budget (Note 19)	1997 Actual	1996 Actual
Revenue:			
Grants (Note 11)	$ 10,694,984	$ 11,172,649	$ 10,932,953
Tuition and related fees	3,865,620	4,070,859	3,507,084
Educational service contracts	1,425,000	452,303	756,439
Investments (Note 13)	360,000	506,125	546,629
Donations (Note 7)	92,000	126,768	147,516
Other sales, rentals and services	1,773,850	1,784,049	1,693,080
Amortization of expended capital contributions (Note 9)	1,650,000	1,769,056	1,577,312
	19,861,454	19,881,809	19,161,013
Expense: (Note 15)			
Instruction	9,675,988	9,296,835	9,254,046
Academic support	2,170,307	1,812,107	2,003,003
Student services	1,495,811	1,617,356	1,823,510
Institutional support	954,198	1,088,460	1,148,415
Facility operations and maintenance	1,683,923	1,644,063	1,490,192
Ancillary services (Note 12)	1,232,956	1,211,392	1,103,347
Computing services	971,597	645,568	517,439
Amortization of capital assets	1,650,000	2,245,407	1,964,660
	19,834,780	19,561,188	19,304,612
Excess (deficiency) of revenue over expense before unallocated pension valuation adjustment	$ 26,674	320,621	(143,599)
Unallocated pension valuation adjustment (Note 14)		356,000	-
Excess (deficiency) of revenue over expense		$ 676,621	$ (143,599)

MEDICINE HAT COLLEGE
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 1997

	1997	1996
Operating activities:		
Excess (deficiency) of revenue over expense	$ 676,621	$ (143,599)
Non-cash transactions:		
Amortization of capital assets	2,245,407	1,964,660
Amortization of expended capital contributions	(1,769,056)	(1,577,312)
Amortization of long-term investment discount	(104,012)	(52,471)
Decrease in pension liability	(545,000)	(334,000)
	503,960	(142,722)
Net changes in non-cash working capital (Note 17)	11,184	230,893
Cash generated from operating activities	515,144	88,171
Investing activities:		
Acquisition of capital assets	(1,067,253)	(746,039)
Purchase of long-term investments	(2,097,092)	(763,214)
Disposal of long-term investments	2,932,819	1,526,076
Cash (used by) generated from investing activities	(231,526)	16,823
Financing activities:		
Endowment contributions	210,477	28,000
Capital contributions	87,284	42,839
Cash generated from financing activities	297,761	70,839
Increase in cash and short-term investments	581,379	175,833
Cash and short-term investments, beginning of year	2,960,261	2,784,428
Cash and short-term investments, end of year	$ 3,541,640	$ 2,960,261

MEDICINE HAT COLLEGE
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 1997

	1997					1996
	Unrestricted	Internally Restricted	Invested in Capital Assets	Endowments	Total	Total
Excess (deficiency) of revenue expense over	$ 676,621	$ -	$ -	$ -	$ 676,621	$ (143,599)
Transfers for:						
Acquisition of capital assets	(979,969)	-	979,969	-	-	-
Amortization of capital assets	476,350	-	(476,350)	-	-	-
To (from) internally restricted	650,426	(650,426)	-	-	-	-
Endowment contributions	-	-	-	210,477	210,477	28,000
Increase (decrease) in net assets	823,428	(650,426)	503,619	210,477	887,098	(115,599)
Net assets, beginning of year	486,307	3,810,415	5,425,350	1,003,860	10,725,932	10,841,531
Net assets, end of year	$ 1,309,735	$ 3,159,989	$ 5,928,969	$ 1,214,337	$ 11,613,030	$ 10,725,932

MEDICINE HAT COLLEGE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 1997

Note 1 Authority and Purpose

Medicine Hat College (the "College") operates under the authority of the Colleges Act, Chapter C-18, Revised Statutes of Alberta 1980, as amended. The College is exempt from payment of Income Tax under Section 149 of the Income Tax Act.

The College provides broadly based educational and training programs and services to students and local communities.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

(a) Consolidated Statements

These consolidated financial statements include the accounts of the Medicine Hat College Foundation, which operates under part 9 of the Companies Act of Alberta, for the support and advancement of the College. The Foundation is a registered charity and is exempt from payment of income tax.

(b) Revenue Recognition

Unrestricted contributions are recognized in the period when receivable.

Amounts received for tuition fees, and sale of goods and services are recognized as revenue at the time the goods are delivered or the services are provided.

Externally restricted non-capital contributions are deferred and are recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts can only be used for purposes designated by the contributor.

Externally restricted capital contributions are recorded as deferred contributions until the amount is invested in capital assets. Amounts invested representing funded capital assets are then transferred to unamortized expended capital contributions. Unamortized expended capital contributions are recognized as amortization of expended capital contribution revenue in the periods in which the related amortization expense of the funded capital asset is recorded.

Externally restricted contributions containing stipulations that the amounts should be retained as net assets, or that the contributions should not be expended, are recorded as direct increases in net assets. Such stipulations would include contributions made for endowment purposes or to be used to acquire non-amortizable property.

Contributions of materials and services that would otherwise have been purchased are recorded at fair market value when a fair market value can be reasonably determined.

Revenue from long-term education contracts is determined on the percentage of completion method. Provisions are made for all anticipated losses as soon as they become evident.

(c) Net Assets Internally Restricted

Net assets internally restricted represent amounts set aside by the College Board of Governors to be used for designated purposes.

(d) Long-term Investments

Long-term investments are recorded at cost or amortized cost. Gains and losses on investments are recognized at liquidation of securities, or when there is a permanent impairment in the value of an investment. Amortization of discount or premium is on a straight-line basis over the life of the investment.

(e) Inventories

Inventories held for resale are valued at the lower of cost or net realizable value.

(f) Capital Assets

Land transferred to the College from the City of Medicine Hat, and donated land, are recorded at fair market value at the date of transfer.

Buildings and renovations are recorded at June 30, 1989 amortized replacement cost as determined by an independent appraisal, with subsequent additions at cost.

Site improvements are recorded at January 1, 1983 replacement cost as determined by an independent appraisal, with subsequent additions at cost.

Furnishings and equipment are recorded at cost except for items acquired prior to July 1, 1984, which are recorded at estimated cost as determined by the College. Donated assets are recorded at fair market value at the time of donation.

Library acquisitions are recorded at cost and are comprised of books, audio visual software and periodicals.

Amortization is recorded on a straight-line basis over the assets' useful lives, which are as follows:

Buildings and renovations	40 years
Site improvements	25 years
Furniture and equipment	10 years (average)
Library acquisitions	10 years
Systems planning and development	10 years

(g) Pension Costs

Pension costs are disclosed as part of salaries, wages and benefits, and as an unallocated pension valuation adjustment.

The part included in salaries, wages and benefits comprises: the cost of pension benefits earned by employees during the year; interest on the College's share of the unfunded pension liability; the amortization of deferred adjustments over the expected average remaining service life of employees which relate to the long term; and the effect of the change in the ratio used to allocate the Plan's total unfunded liability to participating entities.

The unallocated pension valuation adjustment recognizes immediately the effect on the pension obligation when there is reasonable assurance that a gain or loss has been realized.

(h) Expense

Instruction encompasses all formal educational and instructional program elements. Academic support includes all activities that directly support the educational and instructional elements such as academic administration, library and audio visual services. Student services includes all activities or services to the student body of the institution. Institutional support includes all activities that provide institution wide support to other programs.

(i) Financial Instruments

Financial instruments recognized in the consolidated statement of financial position consist of cash and short-term investments, accounts receivable, long-term investments, accounts payable, and deferred contributions.

The fair value of the financial instruments approximate their carrying amounts except as disclosed in Note 4.

Note 3 Inventories

	1997	1996
Bookstore	$ 273,634	$ 249,062

Note 4 Cash and Investments

	1997				1996	
	Cash and Short-term Investments	Long-term Investments	Total	Market	Total	Market
Cash on hand	$ 5,808	$ -	$ 5,808	$ 5,808	$ 5,300	$ 5,300
Bank balances	115,204	-	115,204	115,204	(23,401)	(23,401)
Term deposits	1,876,249	-	1,876,249	1,876,249	1,636,352	1,636,352
Guaranteed invesment certificates	-	15,000	15,000	15,000	-	-
Bonds	475,458	2,233,638	2,709,096	2,745,821	3,291,668	3,330,708
Discount coupons	528,668	839,992	1,368,660	1,398,290	1,281,666	1,269,872
Callable bond residuals	540,253	-	540,253	544,830	501,265	511,885
Mortgages	-	549,965	549,965	565,165	637,721	642,370
	$ 3,541,640	$ 3,638,595	$ 7,180,235	$ 7,266,367	$ 7,330,571	$ 7,373,086

The Board of Governors has approved an investment policy. The investment objectives are the preservation of capital, stability and predictability of returns, and the maximization of return on investment. The approved policy restricts the type and amount of investments that may be purchased or held.

For securities with a contractual maturity of five years or less, the policy restricts investments to securities where both the principal and interest are fully secured by one of the five major Canadian Chartered Banks, the Treasury Branch of Alberta, the Federal Government of Canada, or a Provincial Government of Canada. For securities with a contractual maturity of longer than five years, the policy restricts investments to securities where both the principal and interest are fully secured by either the Federal Government of Canada, or a Provincial Government of Canada. In all circumstances, the organization securing the investment must maintain an A (high) rating or better.

Funds determined to be long-term in nature are invested by an external investment manager. Those investments must also adhere to the previous restrictions.

Note 5 Capital Assets

	1997					1996
	Appraisal	Cost	Total	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 1,560,000	$ -	$ 1,560,000	$ -	$ 1,560,000	$ 1,560,000
Buildings and renovations	27,520,053	5,181,313	32,701,366	15,689,091	17,012,275	18,038,463
Site improvements	5,922,012	1,363,081	7,285,093	5,434,580	1,850,513	2,141,917
Furniture and equipment	-	8,261,154	8,261,154	5,662,379	2,598,775	2,471,825
Library acquisitions	-	2,987,093	2,987,093	2,120,590	866,503	834,021
Systems planning and development	-	199,775	199,775	99,803	99,972	119,966
	$ 35,002,065	$ 17,992,416	$ 52,994,481	$ 29,006,443	$ 23,988,038	$ 25,166,192

During the year donated gifts-in-kind of furniture and equipment valued at $87,284 (1996 $42,839) were capitalized.

Note 6 Unearned Revenue

	1997	1996
Tuition fees	$ 408,451	$ 298,557
Educational service contracts	10,820	61,992
Other	9,701	28,527
	$ 428,972	$ 389,076

Note 7 Deferred Contributions

Deferred contributions represent amounts received that have not been spent and are externally restricted. The balance will be recognized as revenue in future periods.

	1997	1996
Contributions received:		
Donations	$ 482,957	$ 224,838
Investment income on contributions	60,403	64,049
	543,360	288,887
Transferred to revenue:		
Investments	(60,403)	(64,049)
Donations	(126,768)	(147,516)
	(187,171)	(211,565)
Transferred to:		
Endowments	(210,477)	(28,000)
Unamortized expended capital contributions	(87,284)	(42,839)
	(297,761)	(70,839)
Increase during the year	58,428	6,483
Deferred contributions, beginning of year	298,487	292,004
Deferred contributions, end of year	$ 356,915	$ 298,487
The balance consists of funds restricted for:		
Scholarships	$ 236,390	$ 217,296
Other	120,525	81,191
	$ 356,915	$ 298,487

Note 8 Pension Liability

The College participates with other employers in the Local Authorities Pension Plan. The Plan provides pensions for the College's employees based on years of service and earnings.

The College's unfunded pension liability is estimated as follows:

	1997	1996
Balance at beginning of year	$ 769,000	$ 1,103,000
Changes:		
Allocated pension valuation adjustment (Note 16)	(189,000)	(334,000)
Unallocated pension valuation adjustment (Note 14)	(356,000)	-
	(545,000)	(334,000)
Balance at end of year	$ 224,000	$ 769,000

The total amount of unfunded pension liability is based on an actuarial valuation as at December 31, 1996 extrapolated to June 30, 1997. (The 1996 comparative figure is based on an extrapolation of a December 31, 1995 actuarial valuation).

The actuarial valuations are determined using the projected benefit method prorated on service. Assumptions used in the valuations are based on the Pension Board's best estimate of future events. The Plan's future experience will inevitably vary, perhaps significantly, from assumptions. Any difference between the actuarial assumptions and future experience will emerge as gains and losses in future valuations. Gains and losses which relate to the long term are amortized over the expected average remaining service life of the employee group. Gains and losses for which there is reasonable assurance regarding their measurement and realization are recognized immediately.

The Public Sector Pension Plans Act specifies the basis to determine the amount of the total unfunded pension liability that will be funded by employers. The College's portion of those employers' liabilities was based on the College's percentage of the total pensionable payroll of all employers in the Plan.

Note 9 Unamortized Expended Capital Contributions

Unamortized expended capital contributions represent the external funding of capital assets which will be recognized as amortization of expended capital contribution revenue in future periods.

	1997	1996
Balance at beginning of year	$ 19,740,841	$ 21,275,314
Add amount transferred from deferred contributions (Note 7)	87,284	42,839
Less amount amortized to expended capital contribution revenue	(1,769,056)	(1,577,312)
Balance at end of year	$ 18,059,069	$ 19,740,841

Note 10 Net Assets Internally Restricted

Internally restricted net assets represent amounts set aside by the College Board of Governors to be used for the following purposes. These amounts are not available for other purposes without the approval of the Board.

	1997	1996
Scholarships	$ 150,000	$ 762,363
Outstanding commitments	177,312	160,865
Student housing furniture replacement	797,677	797,677
Campus renewal	1,350,000	-
Technology advancement	685,000	-
Tuition waiver	-	606,220
Training and development	-	979,550
Board research project	-	250,109
Institutional development	-	228,106
Fitness centre	-	4,295
International education	-	8,085
Foundation office	-	13,145
	$ 3,159,989	$ 3,810,415

Note 11 Grants

	1997	1996
Province of Alberta, Department of Advanced Education and Career Development:		
Base operating grant	$ 9,922,749	$ 10,229,638
Envelope funding	386,985	-
Conditional grants	711,993	478,610
	11,021,727	10,708,248
Grants from other sources	150,922	224,705
	$ 11,172,649	$ 10,932,953

Note 12 Ancillary Services

	1997 Revenue	1997 Expense	1997 Net	1996 Net
Bookstore	$ 1,029,287	$ 935,344	$ 93,943	$ 129,747
Cafeteria	40,884	8,979	31,905	14,751
Student residence	435,516	257,887	177,629	178,580
Parking	59,019	9,182	49,837	34,437
	$ 1,564,706	$ 1,211,392	$ 353,314	$ 357,515

Expense includes direct costs only.

Note 13 Investment Income

	1997	1996
Investment earnings on resources held for endowment	$ 60,270	$ 63,945
Add investment income on other sources	445,855	482,684
Total investment income recognized as revenue	$ 506,125	$ 546,629

Note 14 Unallocated Pension Valuation Adjustment

The unallocated pension valuation adjustment of $356,000 is a one-time effect on the pension liability. This event is a result of changes in investment strategies of the Local Authorities Pension Plan, and the effect of downsizing and wage restraint by entities participating in the plan. These factors were incorporated in the latest valuation of the pension plan.

Note 15 Expense by Object

	1997	1996
Salaries, wages and benefits (Note 16)	$ 11,700,452	$ 11,214,969
Supplies, services and resale goods	4,504,982	5,051,912
Travel and professional development	631,903	615,479
Utilities	478,444	457,592
Amortization of capital assets	2,245,407	1,964,660
	$ 19,561,188	$ 19,304,612

Note 16 Salaries, Wages and Benefits

Salaries, wages and benefits are summarized by individual position and compensation groups on a full-time equivalent (FTE) basis as follows:

	1997				1996	
	FTE	Salaries and Wages[1]	Benefits[2]	Total	FTE	Total
Chairman of Board		$ 2,340	$ 70	$ 2,410		$ 2,004
Board (10 members)		15,871	415	16,286		14,396
		18,211	485	18,696		16,400
President	1.0	95,750	13,795	109,545	1.0	108,552
Vice-President Academic	1.0	78,516	13,822	92,338	1.0	90,166
Director of College Services	0.9	63,449	10,948	74,397	-	-
Dean, Division of Arts	1.0	68,263	11,147	79,410	1.0	78,650
Dean, Division of Science Technology and Trades	1.0	68,263	11,077	79,340	1.0	78,433
Salaried staff[4]:						
Deans (average 1997 $79,070, 1996 $78,796)	2.0	136,526	21,614	158,140	3.0	236,389
Excluded managers (average 1997 $54,467, $1996 $62,004)	5.8	268,012	47,895	315,907	8.1	502,232
Excluded staff (average 1997 $41,296, 1996 $40,257)	16.1	546,287	118,574	664,861	15.2	611,904
Faculty (average 1997 $56,251, 1996 $54,335)	95.4	4,598,931	767,407	5,366,338	98.2	5,335,738
Extension staff (Continuing Education/Outreach) (average 1997 $33,558, 1996 $35,886)	10.8	331,754	30,675	362,429	12.6	452,168
Non-salaried staff		3,847,007	481,561	4,328,568		3,993,576
Faculty on sabbatical[3]	4.0	163,405	42,573	205,978	2.0	110,936
Changes in accrued vacation pay		-	33,505	33,505		(66,175)
Allocated pension valuation adjustment		-	(189,000)	(189,000)		(334,000)
		10,266,163	1,415,593	11,681,756		11,198,569
		$ 10,284,374	$ 1,416,078	$ 11,700,452		$ 11,214,969

(1) Salaries include regular base pay, honoraria, faculty overload payments, overtime and contract fees.

(2) Benefits include the employer's share of all employee benefits and contributions made on behalf of employees including sabbaticals and other special leave with pay.

(3) Faculty on sabbatical receive 80% of their regular base pay.

(4) Average amounts for compensation groups include salary and benefits.

Note 17 Changes in Non-cash Working Capital

	1997	1996
Accounts receivable	$ (68,986)	$ 31,409
Inventories	(24,572)	(54,862)
Prepaid expenses	(19,021)	(21,073)
Accounts payable	(8,066)	273,608
Unearned revenue	39,896	61,503
Accrued vacation pay	33,505	(66,175)
Deferred non-capital contributions	58,428	6,483
	$ 11,184	$ 230,893

Note 18 Medicine Hat College Foundation

The Medicine Hat College Foundation is a registered public foundation created to solicit, receive and administer funds and property donated for the advancement of Medicine Hat College. Accordingly, the accounts of the organizations have been consolidated to reflect the financial position and results of operations of a single economic entity. The accompanying financial statements are the College's consolidated financial statements. More detailed information about the Foundation may be obtained from separate Foundation financial statements.

During the year, the following transactions took place between the College and the Foundation:

	1997	1996
Donations acquired by the Foundation on behalf of the College	$ 482,957	$ 224,838
Operating funds provided to the Foundation from the College	$ 26,241	$ 20,000

In addition, the College provides certain administrative services and accommodations at no cost to the Foundation.

Note 19 Budget

The 1996-97 budget was approved by the College's Board of Governors at their regular meeting on February 20, 1996.

Note 20 Comparative Figures

Certain 1996 figures have been reclassified to conform to 1997 presentation.

Note 21 Approval of Financial Statements

These financial statements were approved by the Board of Governors.

MOUNT ROYAL COLLEGE
FINANCIAL STATEMENTS
JUNE 30, 1997

AUDITOR'S REPORT

To the Board of Governors of
Mount Royal College

I have audited the statement of financial position of Mount Royal College as at June 30, 1997 and the statements of operations, changes in net assets and changes in financial position for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly the financial position of the College as at June 30, 1997 and the result of the operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Original signed by
Peter Valentine, FCA
Auditor General

Edmonton, Alberta
November 21, 1997

MOUNT ROYAL COLLEGE
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 1997

	1997	1996
ASSETS		
Current:		
Cash and short-term investments (Note 4)	$ 13,965,317	$ 12,079,616
Accounts receivable	2,354,816	2,026,484
Inventories (Note 5)	632,509	736,009
Prepaid expenses	337,067	226,527
	17,289,709	15,068,636
Investments (Note 6)	6,384,101	6,208,317
Capital assets (Note 7)	80,859,011	82,013,390
	$ 104,532,821	$ 103,290,343
LIABILITIES AND NET ASSETS		
Current:		
Accounts payable and accrued expenses	$ 3,232,631	$ 3,156,346
Deferred tuition fee revenue	3,074,306	2,706,140
Accrued vacation pay	1,996,149	1,737,820
Deferred contributions (Note 8)	3,890,818	2,869,586
Current portion of long-term liabilities (Note 9)	315,672	497,142
Employee leave and retirement allowance	487,019	674,587
	12,996,595	11,641,621
Unamortized deferred capital contributions (Note 10)	68,808,837	70,731,889
Pension obligation (Note 11)	800,000	2,409,000
Long-term liabilities (Note 9)	318,416	986,531
	82,923,848	85,769,041
Net assets:		
Operating, as restated (Note 3)		
Unrestricted	598,192	-
Internally restricted (Note 12)	3,210,593	1,515,157
	3,808,785	1,515,157
Equity in capital assets	11,416,087	9,797,828
Endowments	6,384,101	6,208,317
Total net assets	21,608,973	17,521,302
	$ 104,532,821	$ 103,290,343

The accompanying notes are part of the financial statements.

MOUNT ROYAL COLLEGE
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 1997

	1997 Budget (Note 18)	1997 Actual	1996 Actual (Restated)
Revenue			
Grants	$ 29,538,969	$ 29,257,003	$ 29,202,163
Community programs	10,390,500	10,773,652	9,322,847
Tuition and related fees	12,976,389	13,575,323	10,886,933
Ancillary services	5,639,290	6,650,527	5,618,787
Sale of goods and services	1,337,592	1,489,175	1,395,653
Investment income	1,241,286	1,146,863	747,706
Donations and contributions	357,135	434,675	659,892
Earned capital contributions (Note 10)	3,190,538	3,190,538	2,967,464
	64,671,699	66,517,756	60,801,445
Expense (Note 14)			
Instruction	28,459,914	27,570,309	25,714,150
Academic support	6,569,433	6,508,280	6,352,821
Student services	4,427,474	4,279,857	4,036,348
Institutional support	7,908,715	7,071,552	6,337,197
Facility operations and maintenance	6,580,577	6,819,784	6,561,363
Ancillary services	4,454,139	5,510,505	4,553,192
Computing services	1,482,379	1,327,514	1,288,299
Amortization	4,789,068	4,789,068	4,284,333
	64,671,699	63,876,869	59,127,703
Excess of revenue over expenses before unallocated pension adjustment	$ -	2,640,887	1,673,742
Unallocated pension valuation adjustment (Note 11)		1,271,000	-
Excess of revenue over expense		$ 3,911,887	$ 1,673,742

MOUNT ROYAL COLLEGE
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 1997

	1997 Unrestricted Operating Net Assets	1997 Internally Restricted Net Assets	1997 Equity in Capital Assets	1997 Endowments	1997 Total	1996 Total (Restated)
Balance, beginning of year	$ -	$ 1,515,157	$ 9,797,828	$ 6,208,317	$ 17,521,302	$ 15,714,098
Excess of revenue over expense as restated (Note 3)	3,911,887	-	-	-	3,911,887	1,673,742
Internally restricted increase (net)	(1,695,436)	1,695,436	-	-	-	-
Equity in capital assets increase	(1,618,259)	-	1,618,259	-	-	-
Contributions to endowments	-	-	-	175,784	175,784	133,462
Balance, end of year	$ 598,192	$ 3,210,593	$ 11,416,087	$ 6,384,101	$ 21,608,973	$ 17,521,302

MOUNT ROYAL COLLEGE
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 1997

	1997	1996 (Restated)
Operating activities:		
Excess of revenue over expense	$ 3,911,887	$ 1,673,742
Non-cash transactions		
Amortization	4,789,068	4,284,333
Change in pension obligation (Note 11)	(1,609,000)	(757,000)
Earned capital contributions (Note 10)	(3,190,538)	(2,967,464)
	3,901,417	2,233,611
Net changes in non-cash working capital (Note 13)	980,681	1,512,308
Cash generated from operating activities	4,882,098	3,745,919
Investing activities:		
Acquisition of capital assets		
From internal funds	(2,367,203)	(1,429,023)
From deferred contributions	(1,267,486)	(1,097,863)
Acquisition of investments, net	(175,784)	(133,462)
Cash used by investing activities	(3,810,473)	(2,660,348)
Financing activities:		
Repayments of long-term liabilities	(849,585)	(790,201)
Proceeds from long term liabilities	-	843,027
Contributions to endowments	175,784	133,462
Capital contributions	1,487,877	975,155
Cash generated from financing activites	814,076	1,161,443
Increase in cash and short-term investments	1,885,701	2,247,014
Cash and short-term investments, beginning of year	12,079,616	9,832,602
Cash and short-term investments, end of year	$ 13,965,317	$ 12,079,616

MOUNT ROYAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1997

Note 1 Authority

Mount Royal College (the "College") operates under the authority of the Colleges Act, Chapter C-18, Revised Statutes of Alberta 1980, as amended. The College's mission is to foster the success and satisfaction of students in the pursuit of their educational goals. The College is a registered charity and therefore is, under Section 149 of the Income Tax Act, exempt from payment of income tax.

Note 2 Significant Accounting Policies and Reporting Practices

(a) Related Party

Information relating to the Mount Royal College Foundation, incorporated under Part 9 of the Companies Act (Alberta) for the support and advancement of the College, is presented in Note 16. The financial position and results of operations of the Foundation are not consolidated with those of the College.

The Foundation is registered as a charitable organization with Revenue Canada.

(b) Revenue Recognition

Operating grants, including grants from the Province of Alberta, are recognized as revenue in the period received. If a portion of the grant relates to a future period, that portion is deferred and recognized in the subsequent period.

Capital grants, including grants from the Province of Alberta, are recorded as deferred contributions until they are invested in capital assets. Amounts invested representing funded capital assets and contributions of property are then transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are recognized as revenue in the period when the related amortization expense of the funded capital asset is recorded. The related portion of amortization expense and the deferred capital contributions revenue are matched to indicate that the related amortization expense has been funded and the capital contribution earned.

Unrestricted cash donations are recognized as revenue in the period received. Donations of goods and services which would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

Externally restricted non-capital contributions are deferred and then recognized as revenue in the period when the related expense is incurred. Externally restricted contributions can only be used for the designated purposes. Externally restricted contributions containing stipulations that they should be retained as net assets or that they should not be expended are recorded as a direct increase in net assets. Such contributions include contributions made for endowment purposes or to be used to acquire non-amortizable property.

Tuition fees and sales of goods and services are deferred and then recognized as revenue in the period when the goods are sold or the services are provided.

(c) Inventories

Inventories are valued at the lower of cost or net realizable value.

(d) Short-term Investments

Short-term investments are recorded at the lower of cost and market value.

(e) Investments

Investments are recorded at cost. Gains and losses on investments are recognized when an investment is sold or when there is a significant and permanent impairment in the value of an investment.

(f) Capital Assets

Capital assets are recorded at cost. Donated assets are recorded at fair value. Library acquisitions consist of books, audio-visual software, and equipment. They are recorded at cost.

Capital assets are amortized on a straight-line basis as follows:

Buildings	40 years
Leasehold improvements	7 years
Furnishings, equipment and library acquisitions	10-25 years
Computer equipment	5 years

(g) Pension Liability and Expense

The College and its eligible employees participate in the Local Authorities Pension Plan.

The actuarial valuation for the pension plan was determined using the projected benefit method prorated on service. Assumptions used in the valuation are based on the Pension Board's best estimate of future events. Any difference between the actuarial assumption and future experience will emerge as gains or losses in future valuations. Gains and losses that relate to the long term are amortized over the expected average remaining service life of the employee group. Gains and losses for which there is reasonable assurance regarding their measurement and realization are recognized in income immediately.

Pension costs are included in salaries and benefits, and the unallocated pension valuation adjustment. The portion allocated to program expense and included in salaries and benefits, comprises the cost of pension benefits earned by employees during the year, interest on the College's share of the unfunded pension liability; the amortization of deferred adjustments over the expected average remaining service life of the employees which relate to the long-term; and the effect of the change in the ratio used to allocate the plan's total unfunded liability to participating entities. The unallocated pension valuation adjustment is to recognize immediately the effect on the pension liability when there is reasonable assurance that a gain or loss has been realized.

Note 3 Prior Period Adjustment

During the year, the College determined that a donation restricted for capital asset acquisition was recorded as revenue in 1996. As a result, an adjustment has been made retroactively and the prior period amounts have been restated as follows: unamortized deferred capital contributions have been increased by $312,000; revenue, excess of revenue over expense for the year and net assets (operating) at end of year have been decreased by $312,000.

Note 4 **Cash and Short-term Investments**

	1997 Total Cost	1997 Market	1996 Total Cost	1996 Market
Cash	$ 3,891,223	$ 3,891,223	$ 46,630	$ 46,630
Short term notes	9,297,664	9,379,351	12,032,986	12,339,978
Money market investments	776,430	766,128	-	-
	$ 13,965,317	$ 14,036,702	$ 12,079,616	$ 12,386,608

Short-term notes consist of Government of Canada Treasury Bills. Money market investments are purchased and invested by an external investment manager. All money market securities will be rated "R1" or "A1" or higher by the Canadian Bond Rating Service or the Dominion Bond Rating Service. All corporate bonds will be rated "A low" or higher at the time of purchase. Provincial bonds will carry a rating of "A low" or higher by a recognized bond rating service.

These investments mature in less than one year and had an average rate of return for the year of 4.7% (1996 5.5%). The prime investment consideration for these funds is to provide a secure and consistent income flow.

Note 5 **Inventories**

	1997	1996
Bookstore	$ 538,344	$ 624,834
Printing	64,990	63,270
General stores	26,996	45,745
Food services	2,179	2,160
	$ 632,509	$ 736,009

Note 6 **Investments**

The Board of Governors has approved an investment strategy. The primary investment objectives are the preservation of capital and the generation of a competitive total return.

The Board has established an investment policy that provides guidelines on the asset mix, diversification, quality and nature of securities, and term of the fixed income. The guidelines are as follows:

(a)	<u>Asset Mix</u>	Cash equivalents	from 0% to 15% of total portfolio
		Fixed income	from 30% to 70% of total portfolio
		Equities	from 20% to 50% of total portfolio

To measure investment performance and identify the return attributed to the asset mix and asset selection decisions, the College has established a portfolio benchmark of 5% cash equivalents, 60% fixed income, and 35% equities. Further, it measures cash equivalent returns against the return from 90 day treasury bills, fixed income returns against the return for the Scotia McLeod Short Term Index, and equity returns against the return for the TSE 300 Index.

(b) Diversification - No more than 10% of the total portfolio will be invested in any one money market issuer other than investments guaranteed by the Government of Canada or the Province of Alberta. No more than 10% of the portfolio will be invested in any one government bond issue other than the Government of Canada or the Province of Alberta. A maximum of 5% of the portfolio will be invested in any one corporate bond issue. A maximum of 5% of the equity component will be invested in any one equity issue.

(c) Quality and Nature of Securities - All money market securities will be rated "R1" or "A1" or higher by the Canadian Bond Rating Service or the Dominion Bond Rating Service. All corporate bonds will be rated "A low" or higher at the time of purchase. Provincial bonds will carry a rating of "A low" or higher by a recognized bond rating service.

(d) Term of the Fixed Income Portfolio - The average term range will be three to five years. The portfolio will be "laddered" with bonds having maturities between one and eight years.

	1997		1996	
	Cost	Market	Cost	Market
Cash and cash equivalents	$ 115,122	$ 115,122	$ 47,197	$ 47,197
Federal guaranteed bonds (1)	760,145	848,105	760,145	798,450
Provincial guaranteed bonds (1)	1,248,376	1,401,556	1,437,601	1,502,488
Municipal bonds (1)	100,000	105,875	100,000	110,950
Corporate non-convertible bonds (1)	1,919,722	2,152,819	1,807,975	1,952,491
Commom stock - Canadian	1,474,703	2,713,404	1,265,388	1,724,544
Common stock - foreign	766,033	1,794,219	790,011	1,442,187
	$ 6,384,101	$ 9,131,100	$ 6,208,317	$ 7,578,307

(1) The terms of the bond portfolio range from three to eight years. (1996 two to eight years).

Note 7 Capital Assets

	1997			1996
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 3,614,256	$ -	$ 3,614,256	$ 3,614,256
Buildings	92,575,067	28,223,620	64,351,447	66,699,789
Furnishings and equipment	23,364,472	11,688,001	11,676,471	10,375,641
Library acquisitions	1,660,192	443,355	1,216,837	1,323,704
Leasehold improvements	282,340	282,340	-	-
	$ 121,496,327	$ 40,637,316	$ 80,859,011	$ 82,013,390

Note 8 Deferred Contributions

Deferred contributions are restricted contributions which have been received but relate to expenses of future periods.

	1997	1996 (Restated)
Contributions received during the year:		
Grants	$ 30,249,235	$ 30,132,135
Donations and other contributions	2,579,359	2,897,969
Transferred to revenue:		
Grants	(29,257,003)	(29,202,163)
Donations and contributions	(434,675)	(659,892)
Other	(672,414)	(717,387)
Transferred to unamortized deferred capital contributions (Note 10)	(1,267,486)	(1,097,863)
Transferred to endowments	(175,784)	(133,462)
Increase during the year	1,021,232	1,219,337
Balance, beginning of year	2,869,586	1,650,249
Balance, end of year	$ 3,890,818	$ 2,869,586
The balance is restricted for:		
Capital	$ 266,435	$ 46,044
Program support	2,756,658	1,753,417
Scholarships, awards and bursaries	311,876	356,761
Conditionally funded projects	555,849	713,364
	$ 3,890,818	$ 2,869,586

Note 9 Long-term Liabilities

	1997	1996
Capital lease obligations	$ 634,088	$ 1,483,673
Less current portion	315,672	497,142
	$ 318,416	$ 986,531

The minimum annual payments under capital lease obligations are as follows:

1998	$	400,298
1999		211,088
2000		180,273
2001		7,136
Total minimum lease payments		798,795
Less: imputed interest (average rate of 7.35%)		164,707
Capital lease obligations	$	634,088

Note 10 **Unamortized Deferred Capital Contributions**

Unamortized deferred capital contributions are the funded portion of capital assets, which will be recognized as revenue in future periods.

		1997		1996 (Restated)
Transferred from deferred contributions (Note 8)	$	1,267,486	$	1,097,863
Earned and transferred to revenue		(3,190,538)		(2,967,464)
Decrease during the year		(1,923,052)		(1,869,601)
Unamortized deferred capital contributions, beginning of year		70,731,889		72,601,490
Unamortized deferred capital contributions, end of year, as restated (Note 3)	$	68,808,837	$	70,731,889

Note 11 **Pension Obligation**

The College and its eligible employees participate in the Local Authorities Pension Plan. This plan is administered by the Alberta Pensions Administration Corporation and provides pensions for the College's employees based on years of service and earnings. The College had an unfunded pension liability for the plan as at June 30, 1997 which was estimated at $800,000 ($2,409,000 as at June 30, 1996).

The total 1997 unfunded pension liability for the plan was determined by actuarial valuations as at December 31, 1996 extrapolated to June 30, 1997. The total 1996 unfunded pension liability for the plan was determined by actuarial valuation as at December 31, 1995 for the Local Authorities Pension Plan extrapolated to June 30, 1996.

The Public Sector Pension Plans Act specifies the basis to determine the amount of the total unfunded liability for each plan that will be funded by employers. The College's portion of those employer's liabilities was based on the College's percentage of the total pensionable payroll of all employers in the plan.

The unallocated pension valuation adjustment recognizes in the current period the effect of government restructuring on the pension obligation. Government restructuring resulted in reduced plan membership, wage restraints and changes to the investment strategies of the pension plan.

The decrease in the pension liability has been accounted for as follows:

	1997	1996
Allocated to program expense	$ 338,000	$ 757,000
Unallocated pension valuation adjustment	1,271,000	-
	$ 1,609,000	$ 757,000

Note 12 Internally Restricted Net Assets

The Board of Governors has committed operating net assets as indicated in the following table:

	1997	1996
Academic program development	$ 460,564	$ 765,585
Campus development	180,605	106,574
College effectiveness	45,069	47,669
Community needs	30,258	30,258
Data base development	79,548	79,548
Early retirement	65,123	65,123
Evaluation of institution	8,448	8,448
Professional development	80,930	106,106
Residence	2,088,085	1,732,789
Scholarships and bursaries	69,600	124,300
Special projects	10,263	10,263
Student success/satisfaction survey	92,100	92,493
Internally restricted assets	3,210,593	3,169,156
Funded from equity in net assets	(3,210,593)	(1,515,157)
Unfunded	$ -	$ 1,653,999

Additionally, the College has committed $2,012,647 ($1,922,609 in 1996) to complete projects commenced in the year.

	1997	1996
Internally restricted assets	$ 3,210,593	$ 3,169,156
Year end project commitments	2,012,647	1,922,609
Total restricted and committed	$ 5,223,240	$ 5,091,765

Note 13 Net Change in Non-cash Working Capital

	1997	1996
Accounts receivable	$ (328,332)	$ (292,507)
Inventories	103,500	121,047
Prepaid expenses	(110,540)	5,364
Accounts payable and accrued expenses	76,285	(143,440)
Deferred tuition fee revenue	368,166	473,871
Accrued vacation pay	258,329	72,832
Deferred contributions (non-capital)	800,841	1,342,045
Employment leave and retirement allowance	(187,568)	(66,904)
	$ 980,681	$ 1,512,308

Note 14 Expense by Object of Expenditure

	1997	1996
Salaries and benefits (Note 15)	$ 38,421,466	$ 36,831,038
Materials, supplies and services	12,045,096	11,499,300
Facility rental, utilities and maintenance	5,722,215	4,376,461
Travel and promotion	2,123,689	1,444,008
Amortization	4,789,068	4,284,333
Other	775,335	692,563
	$ 63,876,869	$ 59,127,703

Note 15 Salaries and Benefits

This note complies with the requirements of the Alberta Provincial Treasury Board Salary and Benefits Disclosure Directive dated March 28, 1995 as applied to the College. The information is comparable from year to year. However, due to the specifics of the requirements and the particulars of the College's organization, notably the College's categorization of management, faculty and support staff, the information may not be comparable to that of another organization.

	1997			
	FTE(1)	Salaries(2)	Benefits(3)	Total
Chairman	1	$ 6,280	$ 35	$ 6,315
Board members	10	12,600	271	12,871
	11	18,880	306	19,186
President(5,6,7)	1	113,925	48,730	162,655
Vice-President, Academic(6)	1	100,000	31,622	131,622
Vice-President, Administration (6,8)	1	92,000	25,932	117,932
Assistant Vice-President, Academic	1	84,184	11,804	95,988
Director, Human Resources(8)	1	73,299	9,877	83,176
Management (average salary $55,484)(9)	48.0	2,663,781	584,436	3,248,217
Faculty (average salary $46,611)(4,9)	195.4	9,108,726	1,783,226	10,891,952
Sessional teaching staff		7,738,244	815,894	8,554,138
Faculty on sabbatical leave	6.0	302,164	48,346	350,510
Support staff (average salary $31,048) (4,9)	336.1	10,436,928	1,847,431	12,284,359
Casual non-teaching staff		2,323,922	237,480	2,561,402
Change in pension liability allocated to program expense		-	(338,000)	(338,000)
Change in accrued vacation pay		-	258,329	258,329
		33,037,173	5,365,107	38,402,280
		$ 33,056,053	$ 5,365,413	$ 38,421,466

	1996			
	FTE[1]	Salaries[2]	Benefits[3]	Total
Chairman	1	$ 5,760	$ 39	$ 5,799
Board members	10	11,967	404	12,371
	11	17,727	443	18,170
President[5,6,7]	1	112,251	38,962	151,213
Vice-President, Academic[6]	1	100,006	20,174	120,180
Vice-President, Administration [6,8]	1	90,869	29,591	120,460
Assistant Vice-President, Academic	1	83,947	10,585	94,532
Director, Human Resources[8]	1	68,514	9,319	77,833
Management (average salary $54,039)[9]	48.5	2,623,049	492,252	3,115,301
Faculty[4] (average salary $47,442)[4,9]	189.5	8,991,756	1,725,678	10,717,434
Sessional teaching staff		7,278,343	787,425	8,065,768
Faculty on sabbatical leave	7.0	305,243	54,451	359,694
Support staff (average salary $31,289) [4,9]	339.4	10,620,392	1,875,039	12,495,431
Casual non-teaching staff		1,969,874	209,316	2,179,190
Change in pension liability		-	(757,000)	(757,000)
Change in accrued vacation pay		-	72,832	72,832
		32,244,244	4,568,624	36,812,868
		$ 32,261,971	$ 4,569,067	$ 36,831,038

(1) Full-time equivalent (FTE) is calculated as the number of regular employees per month, averaged over the year.

(2) Salaries include base pay, bonuses, overtime, lump sum payments, honoraria, research grants and any other direct cash remuneration.

(3) Benefits include the employer's share of all employee benefits and contributions or payments made on behalf of employees including vacation pay-outs, Canada Pension Plan contributions, Employment Insurance, long and short term disability plans, sabbaticals or other special leave with pay, car allowance and club memberships.

(4) Both faculty and support staff have a place on the Board of Governors and their respective honorarium has been included in their total salary.

(5) The President has a place on the Board of Governors for which he receives no remuneration.

(6) The President's benefits include leave amounts, earned but not paid in the year, which represents 66% of total benefits in 1997 (57% in 1996); for the Vice President Academic 56% in 1997 (39% in 1996); and for the Vice-President, Administrative 36% in 1997 (0% in 1996).

(7) Benefits do not include an accrued amount of $60,602 earned through leave entitlement from 1990 to 1996 and expensed in the current year.

(8) Position was filled with an interim acting individual during 1996.

(9) Average is based on salary only. Average benefits for management in 1997 are $12,173 (1996 - $10,141); faculty benefits in 1997 are $9,125 (1996 - $9,105); support staff benefits in 1997 are $5,496 (1996 - $5,524). The increase in average benefits for management from 1996 to 1997 is primarily due to vacation pay-outs upon termination which are included in the benefits amount.

Note 16 Related Party Transactions

The Mount Royal College Foundation is a registered charitable organization directed to the support and advancement of the College. Highlights of the Foundation's operations for the period ended June 30, 1997 are as follows:

	1997	1996
Statement of Financial Position		
Total assets	$ 229,416	$ 137,140
Total liabilities	$ 476,136	$ 310,827
Deficit	(246,720)	(173,687)
	$ 229,416	$ 137,140
Statement of Operations		
Revenue		
Contributions from the College	$ 190,677	$ 179,227
Donations	1,651,793	974,445
Other	73,791	40,882
	1,916,261	1,194,554
Expense		
Donations transferred to the College	1,673,643	991,631
Other expense	277,312	207,005
Fundraising costs	38,339	27,161
	1,989,294	1,225,797
Excess of expense over revenue	$ (73,033)	$ (31,243)

Note 17 Commitments

The College leases a facility in downtown Calgary with lease terms of up to ten years. The minimum operating lease payments for each of the five succeeding fiscal years are as follows:

1998	$588,392
1999	$588,392
2000	$588,392
2001	$588,392
2002	$588,392

Note 18 Budget

The College is required to submit annually a budget plan approved by the College's Board of Governors, to the Minister of Advanced Education and Career Development for his approval. The budget plan for fiscal year 1996-97 was approved by the Board on May 26, 1996 and was submitted to the Minister in July 1996.

The approved budget plan was prepared, as required by the Minister, on an operating revenue and expense basis. As such, it does not include budget amounts for the following items: earned capital contributions; externally restricted funds (for example; donations and expendable portions of endowments earned through interest income); expenditures from internally restricted funds and year-end commitments; expenditures for improvements and betterment to existing capital assets, and amortization of capital assets. The budget as presented in these financial statements has been adjusted to include these amounts. In addition, the budget includes approximately $2 million increased revenue and expense related to new programs acquired subsequent to the budget approval.

Note 19 Comparative Figures

Certain 1996 figures have been reclassified to conform to the 1997 presentation.

Note 20 Approval of Financial Statements

These financial statements are subject to approval of the College's Board of Governors.

OLDS COLLEGE
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 1997

AUDITOR'S REPORT

To the Board of Governors
Olds College

I have audited the consolidated balance sheet of Olds College as at June 30, 1997 and the consolidated statements of revenue and expense, changes in net assets and changes in financial position for the year then ended. These consolidated financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these consolidated financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly the financial position of the College as at June 30, 1997 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Original signed by
Peter Valentine, FCA
Auditor General

Edmonton, Alberta
October 17, 1997

OLDS COLLEGE

CONSOLIDATED BALANCE SHEET

JUNE 30, 1997

	1997	1996 (As restated Note 3)
ASSETS		
Current:		
Cash and short-term investments (Note 5)	$ 2,972,419	$ 3,451,202
Accounts receivable	1,294,447	1,062,738
Inventories (Note 6)	628,926	828,023
	4,895,792	5,341,963
Long-term investments (Note 5)	6,337,260	4,951,403
Capital assets (Note 7)	28,798,360	30,205,504
	$ 40,031,412	$ 40,498,870
LIABILITIES		
Current:		
Accounts payable	$ 723,583	$ 962,067
Deferred revenue (Note 8)	621,326	296,726
Accrued vacation pay	880,266	812,756
Deferred contributions (Note 9)	828,875	845,017
	3,054,050	2,916,566
Pension liability (Note 10)	246,000	739,000
Capital contributions deferred to future years (Note 11)	23,248,406	24,835,949
	26,548,456	28,491,515
Net assets:		
Operating	10,153,314	8,765,544
Endowments	3,329,642	3,241,811
	13,482,956	12,007,355
	$ 40,031,412	$ 40,498,870

The accompanying notes are part of these consolidated financial statements.

OLDS COLLEGE
CONSOLIDATED STATEMENT OF REVENUE AND EXPENSE
FOR THE YEAR ENDED JUNE 30, 1997

	1997	1996 (As restated Note 3)
REVENUE		
Grants, Province of Alberta	$ 12,022,290	$ 11,162,989
Extension services	1,865,291	1,837,823
Farm revenue	1,130,265	1,378,041
Ancillary and other (Note 13)	2,822,034	2,590,010
Tuition and related fees	1,840,409	1,407,958
Investment income	611,955	437,418
Donations	274,860	243,926
Capital contributions earned in the year (Note 11)	2,116,042	2,003,955
	22,683,146	21,062,120
EXPENSE (Note 14)		
Instruction	8,970,120	8,457,697
Institutional support	5,474,585	5,123,814
Academic support	1,497,137	1,498,490
Student services	1,167,983	981,696
Ancillary and other (direct costs)	680,121	857,871
Computing	735,052	562,129
Amortization of capital assets	2,653,968	2,253,649
(Gain) loss on disposal of capital assets and writedown of inventories	116,410	(537,539)
	21,295,376	19,197,807
Excess of revenue over expense	$ 1,387,770	$ 1,864,313

OLDS COLLEGE
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 1997

	1997						1996
	Unrestricted Net Assets	Internally Restricted Net Assets (Note 12)	Investment in Capital Assets	Total Operating Net Assets	Endowments	Total Net Assets	Total Net Assets (As restated Note 3)
Excess of revenue over expense	$ 1,387,770	$ -	$ -	$ 1,387,770	$ -	$ 1,387,770	$ 1,864,313
Endowments received	-	-	-	-	87,831	87,831	32,792
Board restrictions	(565,698)	565,698	-	-	-	-	-
Internally funded:							
Capital asset acquisitions	(742,220)	-	742,220	-	-	-	-
Amortization of capital assets	558,800	-	(558,800)	-	-	-	-
Disposal of capital assets	3,021	-	(3,021)	-	-	-	-
Increase in net assets	641,673	565,698	180,399	1,387,770	87,831	1,475,601	1,897,105
Balance (as restated Note 3), beginning of year	749,316	2,671,673	5,344,555	8,765,544	3,241,811	12,007,355	10,110,250
Balance, end of year	$ 1,390,989	$ 3,237,371	$ 5,524,954	$ 10,153,314	$ 3,329,642	$ 13,482,956	$ 12,007,355

OLDS COLLEGE
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 1997

	1997	1996 (As restated Note 3)
Operating activities:		
Excess of revenue over expense	$ 1,387,770	$ 1,864,313
Capital contributions earned in the year	(2,116,042)	(2,003,955)
Changes in pension liability	(493,000)	(316,000)
Amortization of capital assets	2,653,968	2,253,649
(Gain) loss on disposal of capital assets	8,666	(537,539)
Funds flow from operations	1,441,362	1,260,468
Changes in non-cash operating working capital	264,764	(104,924)
Cash flow from operations	1,706,126	1,155,544
Investing activities:		
Net purchase of long-term investments	(1,385,857)	(638,174)
Acquisition of capital assets	(1,270,719)	(1,015,922)
Proceeds from disposal of capital assets	15,229	628,114
Cash applied to investing activities	(2,641,347)	(1,025,982)
Financing activities:		
Capital contributions received	368,607	30,929
Endowments contributions received	87,831	32,792
Cash generated from financing activities	456,438	63,721
(Decrease) increase in cash and short-term investments	(478,783)	193,283
Cash and short-term investments, beginning of year	3,451,202	3,257,919
Cash and short-term investments, end of year	$ 2,972,419	$ 3,451,202

OLDS COLLEGE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 1997

Note 1 Authority

Olds College operates under the authority of the Colleges Act, Chapter C-18, Revised Statutes of Alberta 1980, as amended.

The College is a public institution preparing primarily Albertans for business management, production and technical careers in agriculture, horticulture and land management. In addition to granting diplomas and certificates, the College offers other programs in a variety of formats for the learning needs of the greater community.

The College is a registered charity and is exempt from payment of income tax.

Note 2 **Summary of Significant Accounting Policies and Reporting Practices**

(a) Consolidated Statements

These consolidated financial statements include the accounts of the Olds College Foundation, which operates under Part 9 of the Alberta Companies Act.

The Olds College Foundation is a charitable organization whose purpose is to obtain donations on behalf of the College. The Foundation transfers donated funds to the College, but retains administrative control over the use of the funds.

(b) Revenue Recognition

Operating grants are recognized as revenue in the period when receivable. Operating grants received for a future period are reflected as deferred revenue.

Amounts received for tuition fees and sale of goods and services are deferred and recognized as revenue at the time the goods are delivered or the services are provided.

Externally restricted non-capital contributions are deferred and recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts may only be used for purposes designated by the external party.

Any externally restricted contributions containing stipulations that the amounts should be retained as net assets or that the contributions should not be expended, including endowments, are recorded as direct increases in net assets. Such stipulations would include contributions made for endowment purposes or to be used to acquire non-amortizable property such as land.

Externally restricted capital contributions are recorded as deferred contributions until the amount is invested in capital assets. Amounts invested representing externally funded capital assets are then transferred to capital contributions deferred to future years. These amounts are recognized as revenue in the periods in which the related amortization expense of the funded capital assets are recorded. The related portion of amortization expense and capital contributions revenue are matched to indicate that the related amortization expense has been funded externally.

Unrestricted contributions are recognized as revenue when they are received.

Contributions of materials and services that would otherwise have been purchased are recorded at fair value, if reasonably determined.

(c) Inventories

Inventory of bookstore merchandise is maintained using the first-in first-out method, and is valued at the lower of cost and net realizable value. Livestock is valued at net realizable value.

(d) Long-term Investments

Long-term investments are recorded at cost or amortized cost where applicable.

(e) Capital Assets

The Province of Alberta, Department of Public Works, Supply and Services transferred land, certain buildings and renovations to the College. The land is recorded at April 1978 fair value and the buildings and renovations and certain library materials are recorded at April 1978 depreciated replacement cost as determined by an independent appraisal. Acquisitions of capital assets since April 1, 1978 are recorded at cost, except for donated capital assets which are recorded at cost as approximated by fair value.

The Province of Alberta has been granted an option to purchase the whole or any part of the transferred land, buildings, and renovations for $1 per purchase.

Capital assets are amortized on a straight-line basis over the following average useful lives:

Site improvements	40 years
Buildings	15-40 years
Furnishings, equipment and computer hardware	5-15 years
Library and audio visual materials	10 years

Note 3 Prior Period Adjustment

During the year, the College determined that prior year's amortization expense was overstated by $303,700 and has made the adjustment retroactively with restatement.

The effect of the adjustment to the comparative balances are as follows:

	As Originally Reported	Adjustments	As Restated
Capital assets as at June 30, 1996	$ 29,901,804	$ 303,700	$ 30,205,504
Capital contributions deferred to future years as at June 30, 1996	$ 24,614,327	$ 221,622	$ 24,835,949
Investment in capital assets as at June 30, 1996	$ 5,262,477	$ 82,078	$ 5,344,555
Revenue for the year ended June 30, 1996	$ 21,283,742	$ (221,622)	$ 21,062,120
Expense for the year ended June 30, 1996	$ 19,501,507	$ (303,700)	$ 19,197,807

Note 4 Change in Estimate

During the year, the College revised its estimates of the useful lives of its capital assets. This adjustment has been accounted for prospectively and has had the effect of increasing amortization expense of the current year by $348,000.

Note 5 Cash and Investments

Cash and investments are summarized as follows:

	1997		1996	
	Cost	Market Value	Cost	Market Value
Cash and short-term investments	$ 6,343,195	$ 6,367,258	$ 4,261,620	$ 4,261,620
Fixed income - bonds and deposit notes	2,372,335	2,426,958	3,394,113	3,539,844
Equities - stocks	594,149	753,290	746,872	786,263
	$ 9,309,679	$ 9,547,506	$ 8,402,605	$ 8,587,727

Realized return includes interest and dividend income and gains and losses on disposal of investments. Total return includes both realized and unrealized gains and losses on investments due to market value fluctuations. In 1997 the cash and investments obtained a realized rate of return of 8.5% (1996 8.0%) and a total return of 12.5% (1996 13.4%).

The Board of Governors, through its Human Resources, Finance and Facilities Committee, monitors the performance of the investment portfolio. The prime objective and guiding principles of the College's investment policy is to enhance the value of the funds, and at the same time provide a dependable, increasing source of income to support the operating budget, while preventing undue exposure to risk. The four criteria that guide the College's investment policy are safety, growth liquidity and congruence with our mission. The investments are managed on a day to day basis by College staff and an external investment manager.

The investment fund policy allows for all of the funds to be invested in fixed income and short-term investments, but also allows for a maximum of 40% of the funds to be invested in equity investments.

Equity investments are limited to companies listed as a part of the Toronto Stock Exchange 100 providing they meet the criteria outlined in Section 5 of the Trustee Act of Alberta.

Fixed income and short-term investments are limited to Government of Canada bonds, other Canadian government bonds (no more than 20% of the total portfolio in any one issue), corporate bonds rated "A" or higher (no more than 10% of the total portfolio in any one issue) and short-term Government of Canada and major Canadian chartered bank bond issues with an R-1 or equivalent rating.

Short-term investments are held on average for less than three months and bonds are held on average less than three years. Bonds currently held in the portfolio have maturity dates between one and seven years.

The amount held as long-term investments represents funds not available for current operations and includes endowments, deferred contributions externally restricted for capital purposes, and net assets internally restricted for capital purposes.

	1997	1996
Endowments	$ 3,329,642	$ 3,241,811
Deferred contributions, capital	-	159,892
Internally restricted net assets, capital	3,007,618	1,549,700
Held as long-term investments	6,337,260	4,951,403
Cash and short-term investments	2,972,419	3,451,202
Total cash and investments	$ 9,309,679	$ 8,402,605

Note 6 Inventories

	1997	1996
Livestock	$ 477,263	$ 706,094
Bookstore merchandise and other	151,663	121,929
	$ 628,926	$ 828,023

Note 7 Capital Assets

	1997			1996
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 1,210,776	$ -	$ 1,210,776	$ 1,210,776
Site improvements	1,555,823	290,725	1,265,098	1,303,994
Buildings	43,667,682	20,130,375	23,537,307	24,371,374
Furnishings and equipment	10,893,280	8,108,101	2,785,179	3,319,360
	$ 57,327,561	$ 28,529,201	$ 28,798,360	$ 30,205,504

Capital assets have been funded as follows:

	1997	1996
Capital contributions deferred to future years	$ 23,248,406	$ 24,835,949
Debt included in accounts payable	25,000	25,000
Investment in capital assets	5,524,954	5,344,555
	$ 28,798,360	$ 30,205,504

Note 8 Deferred Revenue

	1997	1996
Extension services	$ 121,052	$ 191,120
Tuition fees	83,994	66,535
Grants	128,571	-
Prepaid lease revenue	212,800	-
Other	74,909	39,071
	$ 621,326	$ 296,726

Note 9 Deferred Contributions

Deferred contributions represent the unexpended portion of amounts received for specific purposes.

	1997	1996
Contributions received during the year:		
Donations	$ 558,895	$ 250,070
Investment income earned:		
Endowments	282,520	217,055
Programs and projects	42,388	38,484
	883,803	505,609
Transferred to:		
Donations revenue	(274,860)	(243,926)
Investment income revenue:		
Endowments	(75,938)	(105,644)
Programs and projects	(20,648)	(27,731)
Capital contributions deferred to future years (Note 11)	(528,499)	-
	(899,945)	(377,301)
Increase (decrease) during the year	(16,142)	128,308
Balance, beginning of year	845,017	716,709
Balance, end of year	$ 828,875	$ 845,017
The balance is restricted for:		
Non-capital:		
Endowment scholarships	$ 422,800	$ 223,645
Staff development	57,212	52,886
Programs and projects	348,863	408,594
	828,875	685,125
Capital	-	159,892
	$ 828,875	$ 845,017

Note 10 Pension Liability

The College participates with other employers in the Local Authorities Pension Plan. The Plan, managed by a pension board, is a defined benefit plan and provides pensions for the College's employees based upon length of service and earnings. The Public Sector Pension Plan Act determines the amount of the unfunded pension liabilities which employers will be required to fund.

The College's unfunded pension liability for the Plan as at June 30, 1997 is $246,000 (1996 $739,000). This liability is to be eliminated on or before December 31, 2036.

The total 1997 unfunded pension liability from this Plan was determined by an actuarial valuation as of December 31, 1996, extrapolated to June 30, 1997. The total 1996 unfunded pension liability from this plan was determined by an actuarial valuation as of December 31, 1995, extrapolated to June 30, 1996.

The Public Service Pension Plans Act specifies the basis to determine the amount of the unfunded liability for the plan, which will be funded by employers. The College's portion of these employers' liabilities was based on the College's percentage of total pensionable payroll of all employers in the Plan.

The decrease in pension obligation for 1997 of $493,000 (1996 $316,000), (which has been allocated across program expenses) includes a realized gain of $391,000 (1996 $Nil). This gain, which is a result of government restructuring, has been recognized immediately and not deferred and amortized.

Note 11 Capital Contributions Deferred to Future Years

Capital contributions deferred to future years represent external funding of capital assets which will be recognized as revenue in the future.

	1997	1996
Balance, beginning of year	$ 24,835,949	$ 26,839,904
Amount transferred from deferred contributions (Note 9)	528,499	-
Amount transferred to revenue	(2,116,042)	(2,003,955)
Balance, end of year	$ 23,248,406	$ 24,835,949

Note 12 Internally Restricted Net Assets

The Board of Governors has placed internal restrictions on operating net assets as follows:

	1997	1996
Capital:		
Infrastructure renewal	$ 750,000	$ -
Farm capital renewal	691,770	691,770
General capital renewal	815,848	857,930
New residence	750,000	-
	3,007,618	1,549,700
Non-capital:		
Departmental projects	79,753	107,206
Aqua Centre	150,000	150,000
Income stabilization	-	758,072
Staff development	-	70,953
Other	-	35,742
	229,753	1,121,973
	$ 3,237,371	$ 2,671,673

The College has pledged $150,000, as well as land and services, in support of constructing a swimming pool on the campus for use by the College and the community. The pledge is contingent upon the Town of Olds proceeding with the project.

Note 13 Ancillary and Other

	1997	1996
Residence	$ 622,649	$ 601,433
Bookstore	589,421	587,277
Conference and food services	414,222	421,963
Composting Technology Centre	398,760	229,732
Rentals	233,501	168,235
Retail meat	166,979	165,116
Insurance proceeds	123,930	205,078
Other	272,572	211,176
	$ 2,822,034	$ 2,590,010

Note 14 Supplementary Expense Information

Expense amounts, summarized by object, are as follows:

	1997	1996
Salaries and benefits (Note 15)	$ 11,842,933	$ 11,146,490
Supplies and sundries	5,923,383	5,716,286
Amortization	2,653,968	2,253,649
Utilities	758,682	618,921
(Gain) loss on disposal of capital assets and writedown of inventories	116,410	(537,539)
	$ 21,295,376	$ 19,197,807

Note 15 Salaries and Benefits

	1997				1996	
	Full-time Equivalent	Salary[a]	Benefits and Allowances[b]	Total	Full-time Equivalent	Total
Chairman of the Board	1.0	$ 7,508	$ -	$ 7,508	1.0	$ 4,331
Board members	9.0	13,260	-	13,260	10.0	15,256
President[c]	1.0	100,861	12,945	113,806	0.9	104,782
					0.2	18,282
Vice-President, Academic	1.0	85,489	12,037	97,526	1.0	98,843
Vice-President, Student and Support Services[d]	0.8	63,272	8,933	72,205	1.0	94,147
Vice-President, Student and Support Services[d]	0.3	20,011	3,223	23,234	-	-
Executive Director of Foundation	0.5	39,627	772	40,399	0.6	65,433
Dean, Animal Science	1.0	70,585	10,726	81,311	1.0	80,897
Dean, Trades and Technologies	1.0	66,097	10,274	76,371	1.0	75,835
Dean, Land Sciences Centre	1.0	70,801	10,760	81,561	1.0	79,876
Dean, Extension Services	1.0	57,151	9,037	66,188	0.8	54,114
Instructional staff:						
Salaried (average 1997 $60,617 1996 $57,665)	65.7	3,358,329	624,229	3,982,558	58.0	3,344,571
Non-salaried (average 1997 $51,770, 1996 $50,017)	12.0	583,760	37,483	621,243	17.0	850,297
Contract (average 1997 $62,947)	5.0	312,474	2,259	314,733	-	266,049
Support staff[e]:						
Salaried (average 1997 $37,233 1996 $34,636)	91.9	2,832,331	589,392	3,421,723	80.4	2,784,746
Non-salaried (average 1997 $25,023, 1996 $21,811)	68.4	1,611,314	100,266	1,711,580	59.0	1,286,862
Contract (average 1997 $41,442)	3.3	134,766	1,993	136,759	-	163,533
Managers[e]:						
Salaried (average 1997 $67,880 1996 $48,221)	8.6	489,672	94,093	583,765	24.0	1,157,296
Non-salaried (average 1997 $48,724, 1996 $45,115)	8.0	367,696	22,097	389,793	14.2	640,633
Contract (average 1997 $49,689)	4.6	228,538	33	228,571	-	89,602
Other payroll costs[f]		(221,161)	-	(221,161)	-	(128,895)
	285.1	$ 10,292,381	$ 1,550,552	$ 11,842,933	271.1	$ 11,146,490

(a) Salary includes regular base pay, overtime, performance bonuses, retiring allowances and honoraria. Retiring allowances to nine employees amounted to $158,638 (1996 three employees $81,697).

(b) Benefits and allowances include the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental and vision coverage, group life insurance, unemployment insurance and vacation payouts. Vacation payouts to 35 employees amounted to $103,980 (1996 fourteen employees $38,269).

(c) Rental housing provided, no amount included in benefits and allowances.

(d) During the transition period, the former and current Vice President of Student and Support Services were paid concurrently.

(e) The comparative figures for the 1996 fiscal year for Managers includes all staff that are part of the College's Administrative, Management and Exempt group. For the 1997 figures, this group was split between support staff and managers based upon the position. This classification change between years causes inconsistency with the average salary calculations and comparisons between fiscal years.

(f) Other payroll costs include payments made in respect to Workers' Compensation Board premiums and the changes in accrued vacation pay, pension liability and retiring allowances.

Note 16 Budget

The Board of Governors approved the following budget for the 1996/97 fiscal year on April 25, 1996.

	1997
Revenue:	
Grants, Province of Alberta	$ 12,141,426
Extension services	1,191,606
Farm revenue	1,276,328
Ancillary and other	1,893,018
Tuition and related fees	1,804,843
Investment income	210,000
	$ 18,517,221
Expense:	
Instruction	$ 8,554,754
Institutional support	5,405,674
Academic support	1,513,607
Student services	832,238
Ancillary and other (direct costs)	669,214
Computing	502,667
	$ 17,478,154

Amounts for capital contributions earned in the year, donations, amortization, disposals of capital assets and changes in pension liability, had not formed part of the approved budget.

Note 17 Funds Held on Behalf of Others

Olds College holds funds in trust for several organizations as follows:

	1997	1996
Big Country Educational Consortium	$ 287,627	$ 340,759
Student Association	35,550	33,780
Other	148,475	126,428
	$ 471,652	$ 500,967

Note 18 Comparative Figures

Certain 1996 figures have been reclassified to conform to 1997 presentation.

Note 19 Approval of Financial Statements

The Board of Governors approved these financial statements.

RED DEER COLLEGE
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 1997

AUDITOR'S REPORT

To the Board of Governors of
Red Deer College

I have audited the consolidated statement of financial position of Red Deer College as at June 30, 1997 and the consolidated statements of revenue and expense, changes in net assets and changes in financial position for the year then ended. These consolidated financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these consolidated financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In my opinion, these consolidated financial statements present fairly the financial position of the College as at June 30, 1997 and the results of operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Original signed by
Peter Valentine, FCA
Auditor General

Edmonton, Alberta
October 25, 1997

RED DEER COLLEGE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 1997

	1997	1996
ASSETS		
Current:		
Cash	$ 42,180	$ -
Short-term investments (Note 3)	4,983,425	6,519,431
Accounts receivable	1,828,083	1,457,973
Inventories	687,738	475,209
Prepaid expenses	170,148	181,268
	7,711,574	8,633,881
Investments (Note 3)	4,792,594	4,853,360
Art collections (Note 4)	913,685	913,685
Capital assets (Note 5)	41,703,774	41,972,901
	$ 55,121,627	$ 56,373,827
LIABILITIES AND NET ASSETS		
Current:		
Bank indebtedness	$ -	$ 471,288
Accounts payable and accrued liabilities	1,830,319	1,428,123
Accrued vacation pay	2,020,516	1,895,337
Unearned revenue (Note 6)	1,010,162	1,186,540
Deferred contributions (Note 7)	795,035	405,684
Current portion of capital lease obligation (Note 8)	254,691	67,513
Current portion of long-term debt (Note 9)	40,112	37,265
	5,950,835	5,491,750
Long-term portion of capital lease obligation (Note 8)	373,636	122,386
Long-term debt (Note 9)	590,065	631,857
Pension obligation (Note 10)	476,722	1,487,000
Unamortized deferred capital contributions (Note 11)	29,840,131	31,446,938
	37,231,389	39,179,931
Net assets:		
Endowments (Note 12)	3,846,512	3,797,345
Investment in capital assets and art collections	11,518,824	10,580,626
Internally restricted (Note 13)	1,146,923	1,255,897
Accumulated excess of revenue over expense	1,377,979	1,560,028
	17,890,238	17,193,896
	$ 55,121,627	$ 56,373,827

The accompanying notes are part of these financial statements.

RED DEER COLLEGE
CONSOLIDATED STATEMENT OF REVENUE AND EXPENSE
FOR THE YEAR ENDED JUNE 30, 1997

	1997	1996
Revenue:		
Grants, Province of Alberta (Note 14)	$ 18,221,246	$ 17,914,792
Tuition and related fees	7,265,346	6,967,654
Ancillary services (Note 15)	4,202,339	4,872,370
Educational contracts	1,118,504	1,315,883
Sales, rentals and services	749,893	746,038
Investment income (Note 16)	691,944	672,267
Donations and contributions	481,490	455,553
Amortization of deferred capital contributions (Note 11)	1,665,905	1,823,736
	34,396,667	34,768,293
Expense: (Notes 10 and 17)		
Instruction	16,149,147	15,715,363
Academic support	3,561,367	3,551,045
Student services	1,929,954	2,026,138
Institutional support	3,785,340	3,545,844
Facilities operations and maintenance	5,305,022	4,824,240
Ancillary services (Note 15)	3,803,220	4,661,412
Unallocated pension valuation adjustment (Note 10)	(758,670)	-
	33,775,380	34,324,042
Excess of revenue over expense	$ 621,287	$ 444,251

RED DEER COLLEGE
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 1997

	1997					1996
	Endowments (Note 12)	Investment in Capital Assets and Art Collections	Internally Restricted (Note 13)	Accumulated Excess of Revenue Over Expense	Total	Total
Beginning of year	$ 3,797,345	$ 10,580,626	$ 1,255,897	$ 1,560,028	$ 17,193,896	$ 16,642,082
Excess of revenue over expense				621,287	621,287	444,251
Endowments received	40,069				40,069	44,015
Interest income added to endowment principal	34,986				34,986	63,548
Transfers	(25,888)	938,198	(108,974)	(803,336)	-	-
	$ 3,846,512	$ 11,518,824	$ 1,146,923	$ 1,377,979	$ 17,890,238	$ 17,193,896

RED DEER COLLEGE
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 1997

	1997	1996
Cash generated from (applied to) operating activities:		
Excess of revenue over expense	$ 621,287	$ 444,251
Add:		
Amortization of capital assets	2,007,921	2,010,930
Change in pension obligation	(1,010,278)	(384,000)
Less:		
Amortization of deferred capital contributions	(1,665,905)	(1,823,736)
	(46,975)	247,445
Changes in non-cash working capital accounts (Note 19)	168,829	273,355
Cash generated from operating activities	121,854	520,800
Investing activities:		
Acquisition of capital assets	(1,738,794)	(932,965)
Acquisition of long-term investments (net)	60,766	(1,194,657)
Cash applied to investing activities	(1,678,028)	(2,127,622)
Financing activities:		
Repayment of long-term debt	(38,945)	(36,269)
Capital lease	645,533	246,818
Repayment of capital lease obligation	(207,105)	(56,919)
Capital contributions received (Note 7)	59,098	2,500
Endowments	75,055	107,563
Cash generated from financing activities	533,636	263,693
Decrease in cash and short-term investments, net of bank indebtedness	(1,022,538)	(1,343,129)
Cash and short-term investments at beginning of year, net of bank indebtedness	6,048,143	7,391,272
Cash and short-term investments at end of year, net of bank indebtedness	$ 5,025,605	$ 6,048,143

RED DEER COLLEGE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 1997

Note 1 Authority and Purpose

Red Deer College operates under the authority of the Colleges Act, Chapter C-18, Revised Statutes of Alberta 1980, as amended.

The College provides a wide range of quality educational opportunities designed to promote success of learners and the enrichment of life in the communities it serves. The College is mandated to provide certificates, diplomas, and a wide variety of non-credit offerings through adult development programs, career-oriented studies, trades training, and university undergraduate studies.

The College is exempt from the payment of income tax under Section 149 of the Income Tax Act.

Note 2 Significant Accounting Policies and Reporting Practices

(a) Consolidation

The financial statements include the accounts of the College and the Red Deer Foundation.

(b) Revenue Recognition

Operating grants are recognized in the period when receivable. Operating grants received for a future period are deferred until that future period.

Capital grants are recorded as deferred contributions until the amount is invested in capital assets. Amounts invested representing funded capital assets are then transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are recognized as revenue in the periods in which the related amortization expense of the funded capital asset is recorded. The related portion of amortization expense and the deferred capital contributions revenue are matched to indicate that the related amortization expense has been funded.

Unrestricted cash donations are recognized as revenue when they are received. Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

Donations of capital assets that will not be amortized, and artwork collections are recognized as direct increases in net assets. Permanent impairment in values of these items is recognized as reduction in net assets.

Externally restricted non-capital contributions are deferred and are recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts can only be used for purposes designated by external parties. Any externally restricted contributions containing stipulations that the amounts should be retained as net assets, or that the contributions should not be expended, are recorded as direct increases in net assets. Such stipulations would include contributions made for endowment purposes or to be used to acquire non-amortizable property.

(c) Inventories

Inventories of merchandise for resale are valued at the lower of cost and net realizable value. Inventories of supplies for consumption are valued at the lower of cost and replacement value.

(d) Investments

Investments are recorded at cost or amortized cost. Amortization of discount or premium is on a straight-line basis over the life of the investment. Gains or losses on sales of investments are recognized as investment income in the year of sale.

(e) Art Collections

Art collections are recorded at cost except for donated items which are recorded at fair market value at the time of receipt. The recorded amount is reduced for any subsequent permanent impairment.

(f) Capital Assets

Capital assets are amortized on a straight-line basis over the following average useful lives:

Buildings and site improvements	40 years
Furnishings, equipment and vehicles	3 to 10 years
Library	10 years
Computer software	5 years

(g) Pension Liability and Expense

The College and its eligible employees participate in the Local Authorities Pension Plan.

The actuarial valuation for the pension plan was determined using the projected benefit method prorated on service. Assumptions used in the valuation are based on the Pension Board's best estimate of future events. The plan's future experience will differ, perhaps significantly, from the assumptions. Any differences between the actuarial assumptions and future experience emerge as gains or losses in future valuations. Gains or losses which relate to the long term are amortized over the expected average remaining service life of the employee group. Gains or losses for which there is reasonable assurance regarding their measurement and realization are recognized as income immediately.

Pension cost is disclosed as part of salaries and wages, and unallocated pension valuation adjustment. These costs comprise: the cost of pension benefits earned by employees during the year, interest on the College's share of the unfunded pension liability, the amortization of deferred gains or losses over the expected average remaining service life of employees which relate to the long term, adjustments to the pension obligation recognized immediately where there is reasonable assurance that a gain or loss has been realized, and the effect of the change in the ratio used to allocate the plan's total unfunded liability to participating entities.

(h) Expenses

Instruction encompasses all formal educational and instructional program elements. Academic support includes all activities that directly support the educational and instructional elements such as academic administration and library services. Student services includes all activities or services to the student body of the institution including scholarships and bursaries. Institutional support includes all activities that provide institution-wide support to other programs.

Note 3 Investments

Investments are summarized as follows:

	1997	1996
Bonds and coupons	$ 8,186,988	$ 9,932,199
Mutual funds	1,210,334	1,077,423
Treasury bills and other	378,697	363,169
	9,776,019	11,372,791
Held as long-term investments	(4,792,594)	(4,853,360)
Short-term investments	$ 4,983,425	$ 6,519,431

The estimated market value of the long-term investments is $4,780,957 (1996 $4,121,521). The estimated market value of the short-term investments approximates their carrying value.

The College's exposure to interest rate risk at June 30, 1997 relates to its investments portfolio of $9,776,019. The College's fixed income investments of $8,565,685 have an effective interest rate of 7.1%. The rate of return on the balance of the portfolio, comprised of mutual fund holding, is dependent on the fund's performance.

These investments mature as follows:

	Cost
Non maturing	$ 1,210,334
1998	1,305,697
1999	812,699
2000	52,300
2001	745,246
2003	1,846,286
2006	1,000,000
2007	69,483
2008	70,502
2014	460,400
2015	682,096
2016	164,061
2017	96,450
2018	208,000
2019	420,265
2021	367,662
2022	206,588
2023	57,950
	$ 9,776,018

Note 4 Art Collections

Art collections represent paintings, sketches and drawings held to further the College's education and research activities. Changes to the collections are summarized as follows:

	1997	1996
Balance at beginning of year	$ 913,685	$ 911,166
Capital assets reclassification	-	2,519
Balance at end of year	$ 913,685	$ 913,685

Note 5 Capital Assets

(a) Summary of Cost and Net Book Value

	1997			1996
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land and improvements	$ 8,823,977	$ -	$ 8,823,977	$ 8,823,977
Buildings and site improvements	49,144,024	20,451,552	28,692,472	29,545,060
Library	669,761	351,773	317,988	367,149
Furnishings and equipment	10,897,990	7,158,927	3,739,063	3,076,088
Computer software	731,907	688,970	42,937	40,679
Vehicles	382,894	296,307	86,587	119,198
Club share	750	-	750	750
	$ 70,651,303	$ 28,947,529	$ 41,703,774	$ 41,972,901

(b) Capital Acquisitions

Capital acquisitions during the year included computer donations in kind with a fair value at the time of receipt of $40,800 and equipment donations of $18,298 totalling $59,098 (1996 $2,500)

(c) Capital Lease

Furnishing and equipment include leased computer equipment with a cost of $888,356 and a net book value of $774,838.

Note 6 Unearned Revenue

Unearned revenue is summarized as follows:

	1997	1996
Tuition	$ 485,222	$ 642,131
Other related fees	524,940	544,409
	$ 1,010,162	$ 1,186,540

Note 7 Deferred Contributions

Deferred contributions represent grants received relating to future years, unspent funds for restricted purposes and unspent capital funds. Changes in the deferred contributions balance are as follows:

	1997	1996
Donations and contributions received during the year	$ 2,889,724	$ 1,403,543
Reallocation from endowments	25,888	-
Transferred to revenue	(2,467,163)	(1,355,074)
Transferred to unamortized deferred capital contributions (Note 11)	(59,098)	(2,500)
Increase during the year	389,351	45,969
Balance at beginning of year	405,684	359,715
Balance at end of year	$ 795,035	$ 405,684
The balance at end of year represents funds held for:		
Learning Enhancement and other grants	$ 327,529	$ 54,710
Special projects	266,377	176,673
Scholarships and bursaries	201,129	174,301
	$ 795,035	$ 405,684

Note 8 Capital Lease Obligation

Capital lease obligation is comprised of the following:

Capital lease at 7.86% interest rate expiring July 1, 1998	$ 97,954
Capital lease at 7% interest rate expiring January 1, 1999	23,468
Capital lease at 9.7% interest rate expiring August 31, 1999	4,956
Capital lease at 9.7% interest rate expiring October 24, 1999	10,681
Capital lease at 9.8% interest rate expiring August 13, 1999	406,099
Capital lease at 9.8% interest rate expiring October 9, 1999	5,207
Capital lease at 9.3% interest rate expiring January 14, 2000	7,143
Capital lease at 9.3% interest rate expiring March 30, 2000	13,769
Capital lease at 9.8% interest rate expiring August 20, 1999	59,050
	$ 628,327

The obligations are secured by the equipment under capital lease.

Future minimum lease payments are due as follows:

1998	$ 300,610
1999	270,960
2000	126,892
	698,462
Less amount representing interest	70,135
	628,327
Less current portion	254,691
	$ 373,636

Note 9 Long-Term Debt

Long-term debt is summarized as follows:

	Principal Outstanding	
	1997	1996
Student residences, debenture maturing November 1, 2007 at 7.25% per annum interest	$ 630,177	$ 669,122
Less current portion	40,112	37,265
	$ 590,065	$ 631,857

The repayment of principal in the next five fiscal years is as follows:

1998	$ 40,112
1999	$ 43,177
2000	$ 46,476
2001	$ 50,027
2002	$ 55,603

Note 10 Pension Obligation

The College participates with other employers in the Local Authorities Pension Plan. This Plan which is managed by a pension board, is a defined benefit plan and provides pensions for the College's employees based on their length of service and earnings. The Public Sector Pension Plans Act specifies the basis for determining the amount of the total unfunded liability for the Plan which will be funded by employers.

The College's portion of unfunded pension liability for the Plan as at June 30 was estimated at $476,722 (1996 $1,487,000).

The unfunded pension liability was determined by an actuarial valuation as at December 31, 1996, extrapolated to June 30, 1997. The 1996 unfunded pension liability was determined by extrapolation of a December 31, 1995 actuarial valuation extrapolated to June 30, 1996. The liability is to be eliminated on or before December 31, 2036.

The unallocated pension valuation adjustment recognizes, in the current period, the effect of government restructuring on the pension obligation. Government restructuring resulted in reduced plan membership, wage restraints and changes to the investment strategics of the pension plan.

The change in the unfunded pension liability for the year is as follows:

Unallocated pension valuation adjustment	$ 758,670
Pension valuation adjustment allocated to academic support, student services, institutional support and facilities operations and maintenance expenses	251,608
	$ 1,010,278

Note 11 **Unamortized Deferred Capital Contributions**

Unamortized deferred capital contributions represent the funded portion of capital assets which will be recognized as revenue in future periods. Changes in the unamortized deferred capital contributions balance are as follows:

	1997	1996
Balance at beginning of year	$ 31,446,938	$ 33,268,174
Add amount transferred from deferred contributions (Note 7)	59,098	2,500
Less amount amortized to revenue	(1,665,905)	(1,823,736)
	$ 29,840,131	$ 31,446,938

Note 12 **Endowments**

Endowments are comprised of externally and internally restricted amounts which are required to be maintained intact except where a donor or the Board of Governors, for internally restricted amounts, agrees to a reallocation for expendable purposes. The terms of certain endowments require the College to maintain the real value of the endowments. Accordingly, a portion of annual investment income earned on the endowment is added to the principal amount. Internally restricted endowments amounted to $ Nil in 1997 ($25,888 in 1996).

Note 13 **Net Assets Internally Restricted**

Net assets internally restricted are held for the following purposes. These amounts are not available for other purposes without the approval of the Board of Governors.

	1997	1996
Innovative instruction	$ 200,841	$ 193,276
Student residences	812,443	952,574
Children's Service Centre	-	6,606
Other	133,639	103,441
	$ 1,146,923	$ 1,255,897

Note 14 **Grants, Province of Alberta**

	1997	1996
Alberta Advanced Education and Career Development:		
Operations grant	$ 16,399,004	$ 16,932,190
Conditional funding	1,487,611	391,698
	17,886,615	17,323,888
Other government funding	607,450	602,154
	18,494,065	17,926,042
Less amount in deferred contributions	(272,819)	(11,250)
	$ 18,221,246	$ 17,914,792

Note 15 Ancillary Services

Ancillary services results are as follows:

	Revenue	Direct Expense	1997 Net	1996 Net
Bookstore	$ 2,099,858	$ 1,835,117	$ 264,741	$ 203,727
Student residences	1,090,868	953,385	137,483	43,274
Child care centres	746,832	756,334	(9,502)	(7,395)
Children's Service Centre	-	-	-	(27,675)
Parking and security	264,781	258,384	6,397	(973)
	$ 4,202,339	$ 3,803,220	$ 399,119	$ 210,958

Note 16 Investment Income

	1997	1996
Earnings from restricted resources	$ 358,198	$ 354,607
Less:		
Amounts deferred	(303,059)	(273,840)
Amounts credited directly to endowments	(34,986)	(63,548)
	20,153	17,219
Add earnings from unrestricted resources	671,791	655,048
	$ 691,944	$ 672,267

Note 17 Supplementary Expense Information

Expense and budgeted amounts, summarized by object, are as follows:

	1997		1996
	Budget	Actual	Actual
Salaries and benefits (Note 18)	$ 22,674,593	$ 20,997,552	$ 21,998,708
Supplies and sundry	6,965,507	7,773,654	7,802,914
Maintenance and rentals	1,560,000	1,844,753	1,460,006
Utilities and taxes	950,000	826,668	802,694
Interest on long-term debt	60,000	99,029	63,441
Scholarship and gifts	200,000	225,803	185,349
Amortization of capital assets	2,000,000	2,007,921	2,010,930
Operating	$ 34,410,100	$ 33,775,380	$ 34,324,042
Acquisition of capital assets	$ 725,000	$ 1,738,794	$ 932,965

The budget relating to the College's operating and capital expenditure was approved by the Board of Governors on November 20, 1996.

Note 18 Salaries and Benefits

	1997				1996	
	Number of Individuals (3)(4)	Salary(1) (in thousands)	Benefits and Allowances(2)	Total	Number of Individuals (3)(4)	Total
Chairman of the Board	1			$ -	1	$ -
Board members	9			-	9	-
President	1	100,000	25,843	125,843	1	110,721
Vice President College and Business Dev.	1	82,144	11,214	93,358	1	92,642
Vice President Education	1	82,144	10,901	93,045	1	92,651
Director of Finance & Facilities	1	77,301	8,588	85,889	1	82,455
Dean of Arts	1	70,959	10,157	81,116	1	81,685
Other senior managers (average 1997 $75,809 1996 $76,945)	7.5	485,985	82,586	568,571	7	538,612
Other managers (average 1997 $48,178 1996 $49,144)	11	460,441	69,520	529,961	14	688,022
Support (average 1997 $35,191, 1996 $35,245)	104.5	3,204,041	473,373	3,677,414	111	3,912,222
CUPE members (average 1997 $28,380 1996 $28,753)	63	1,522,884	265,093	1,787,977	65	1,868,967
Academic staff(5) (average 1997 $55,511 1996 $55,541)	204	9,866,265	1,457,937	11,324,202	201	11,163,700
Instructional part-time and hourly		1,984,690	161,014	2,145,704		2,322,761
Non-instructional part-time		1,005,697	70,405	1,076,102		942,579
		$ 18,942,551	$ 2,646,631	21,589,182		21,897,017
Other payroll costs(6)				167,040		101,691
Unallocated pension valuation adjustment (Note 10)				(758,670)		-
				$ 20,997,552		$ 21,998,708

(1) Salary includes regular base pay, sabbatical salaries, overtime and honoraria.

(2) Employer's share of all employee benefits and contributions or payments made on behalf of employees including Local Authorities Pension, Teachers' Retirement Fund, Canada Pension Plan, unemployment insurance, workers' compensation, health care, dental coverage, extended health care, group life and accidental death and dismemberment insurance, professional memberships and tuitions, and travel allowances.

(3) Full-time staff consists of all individuals working 29 hours or more per week.

(4) Number of individuals represents a weighted average count except for Board Chairman and Board Members.

(5) Includes 3 full-time equivalent faculty on sabbatical with total salary and benefits of $154,492.

(6) Other payroll costs include changes in accrued vacation pay, pension liability adjustment and severance allowances.

Note 19 Changes in Non-Cash Working Capital

	1997	1996
Accounts receivable	$ (370,110)	$ 188,001
Inventories	(212,529)	96,963
Prepaid expenses	11,120	(54,091)
Accounts payable and accrued liabilities	402,196	(115,345)
Accrued vacation pay	125,179	(6,013)
Unearned revenue	(176,378)	11,784
Deferred contributions	389,351	152,056
	$ 168,829	$ 273,355

Note 20 Comparative Figures

Certain 1996 figures have been reclassified to conform to 1997 presentation.

Note 21 Approval of Financial Statements

These financial statements were approved by management.

NORTHERN ALBERTA INSTITUTE OF TECHNOLOGY CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 1997

AUDITOR'S REPORT

To the Board of Governors of the Northern
Alberta Institute of Technology

I have audited the consolidated statement of financial position of the Northern Alberta Institute of Technology as at June 30, 1997 and the consolidated statements of revenue and expense, changes in net assets and changes in financial position for the year then ended. These consolidated financial statements are the responsibility of the Institute's management. My responsibility is to express an opinion on these consolidated financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly the financial position of the Institute as at June 30, 1997 and the results of operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Original signed by
Peter Valentine, FCA
Auditor General

Edmonton, Alberta
October 1, 1997

NORTHERN ALBERTA INSTITUTE OF TECHNOLOGY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 1997

(in thousands)

	1997	1996 (As restated Note 3)
ASSETS		
Current:		
Short-term investments (Note 4)	$ 9,079	$ 16,739
Accounts receivable (Note 5)	3,689	2,982
Inventories (Note 6)	2,739	2,483
Prepaid expenses	242	494
	15,749	22,698
Long-term investments (Note 4)	30,014	21,378
Capital assets (Note 7)	137,363	137,365
	$ 183,126	$ 181,441
LIABILITIES AND NET ASSETS		
Current:		
Bank indebtedness	$ 1,512	$ 1,436
Accounts payable and accrued liabilities	7,577	7,314
Accrued vacation pay	7,507	7,314
Unearned revenue	2,570	1,687
Deferred contributions (Note 8)	1,158	356
	20,324	18,107
Long-term:		
Deferred contributions for capital purposes (Note 9)	727	1,029
Deferred contributions for campus expansion (Note 10)	71	68
Pension obligation (Note 11)	2,279	6,238
Unamortized deferred capital contributions (Note 12)	86,164	89,607
	109,565	115,049
Net assets:		
Endowments (Note 13)	4,122	3,841
Internally restricted for campus redevelopment and systems renewal (Note 14)	11,760	4,525
Invested in capital assets (Note 7)	51,199	47,758
Accumulated excess of revenue over expense	6,480	10,268
	73,561	66,392
	$ 183,126	$ 181,441

The accompanying notes are part of these financial statements.

NORTHERN ALBERTA INSTITUTE OF TECHNOLOGY
CONSOLIDATED STATEMENT OF REVENUE AND EXPENSE
FOR THE YEAR ENDED JUNE 30, 1997
(in thousands)

	1997 Budget	1997 Actual	1996 Actual
	(Note 29)		(As restated Note 3)
Revenue:			
Grants (Note 25)	$ 62,478	$ 64,988	$ 65,013
Extension and community education	12,702	12,436	12,463
Ancillary services (Note 15)	10,326	9,527	9,048
Tuition fees	9,152	10,238	8,456
Amortization of deferred capital contributions (Note 12)	6,100	6,335	6,132
Fundraising and donations (Note 16)	2,180	2,599	2,519
Investment earnings (Note 17)	2,180	2,642	2,998
Sales, rentals and services	1,517	1,788	1,524
Gain on disposal of assets	-	133	73
	106,635	110,686	108,226
Expense (Note 19):			
Instruction	47,132	47,198	46,387
Institutional support	22,129	20,563	19,192
Academic support	13,252	14,196	13,660
Ancillary services (Note 15)	9,960	8,596	7,903
Amortization of capital assets	6,700	7,197	6,843
Student services	3,362	3,889	3,663
Fundraising costs (Note 16)	2,180	2,159	2,096
	104,715	103,798	99,744
Excess of revenue over expense	$ 1,920	$ 6,888	$ 8,482

NORTHERN ALBERTA INSTITUTE OF TECHNOLOGY
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 1997
(in thousands)

	1997					1996
	Endowments	Internally Restricted for Campus Redevelopment and Systems Renewal	Invested in Capital Assets	Accumulated Excess of Revenue over Expense	Total	Total
	(Note 13)	(Note 14)	(Note 7)			(As restated Note 3)
Excess of revenue over expense	$ -	$ -	$ -	$ 6,888	$ 6,888	$ 8,482
Endowment contributions	281	-	-	-	281	362
Transfers:						
Amortization	-	-	(7,197)	7,197	-	-
Amortization of unamortized deferred capital contributions	-	-	6,335	(6,335)	-	-
Purchases of capital assets	-	(1,754)	4,337	(2,583)	-	-
Gain on disposal of assets	-	-	133	(133)	-	-
Proceeds from disposal of assets	-	-	(167)	167	-	-
Appropriation for campus redevelopment and systems renewal	-	8,989	-	(8,989)	-	-
Increase (decrease) in net assets	281	7,235	3,441	(3,788)	7,169	8,844
Beginning of year, restated (Note 3)	3,841	4,525	47,758	10,268	66,392	57,548
End of year	$ 4,122	$ 11,760	$ 51,199	$ 6,480	$ 73,561	$ 66,392

NORTHERN ALBERTA INSTITUTE OF TECHNOLOGY
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 1997
(in thousands)

	1997	1996 (As restated Note 3)
Cash provided from operating activities:		
Excess of revenue over expense	$ 6,888	$ 8,482
Non-cash transactions:		
Amortization of capital assets	7,197	6,843
Change in pension obligation	(3,959)	(2,229)
Amortization of deferred capital contributions	(6,335)	(6,132)
Gain on disposal of assets	(133)	(73)
Transferred from deferred contributions	(3,905)	(411)
Transferred from deferred contributions for campus expansion	(152)	-
Cash generated from operations	(399)	6,480
Changes in non-cash working capital accounts (Note 21)	628	(1,153)
	229	5,327
Cash provided from (used in) investing activities:		
Acquisition of capital assets	(7,229)	(11,196)
Proceeds from disposal of capital assets	167	103
(Purchase) sale of long-term investments, net	(8,636)	4,008
	(15,698)	(7,085)
Cash provided from financing activities:		
Deferred contributions	4,707	456
Deferred contributions for capital purposes	2,654	1,334
Deferred contributions for campus expansion	91	344
Endowment contributions	281	362
	7,733	2,496
Net (decrease) increase in short-term investments, net of change in bank indebtedness	(7,736)	738
Short-term investments at beginning of year, net of bank indebtedness	15,303	14,565
Short-term investments at end of year, net of bank indebtedness	$ 7,567	$ 15,303

NORTHERN ALBERTA INSTITUTE OF TECHNOLOGY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 1997
(in thousands)

Note 1 Authority and Purpose

The Northern Alberta Institute of Technology (the "Institute") operates under the authority of the Technical Institutes Act, Chapter T-3.1, Statutes of Alberta 1981.

Serving primarily central and northern Alberta, the Institute offers career-oriented training in business, computer systems, architectural and engineering technologies, environmental and laboratory technologies, health sciences, hospitality and applied arts.

The Institute is exempt from payment of income tax under Section 149 of the Income Tax Act.

Note 2 Significant Accounting Policies and Reporting Practices

(a) Consolidation

The financial statements include the accounts of the Institute and the Northern Alberta Institute of Technology Foundation.

(b) Revenue Recognition

Unrestricted contributions are recorded as revenue in the period they are received.

Externally restricted non-capital contributions are deferred and are recognized as revenue in the period in which the related expenses are incurred. Non-capital donations of materials and services that would otherwise have been purchased are accounted for as externally restricted non-capital contributions, at fair value when a fair value can be reasonable estimated.

Externally restricted capital contributions are recorded as deferred contributions until the amount is invested in capital assets. Capital donations of assets that would otherwise be purchased are accounted for as externally restricted capital contributions, at fair value when a fair value can be reasonably estimated. Contributions for capital assets that will be amortized are transferred to unamortized deferred capital contributions in the period the asset is acquired. Contributions for capital assets that will not be amortized, such as land, are not transferred to unamortized deferred capital contributions or recognized as revenue, but are recorded as direct increases in net assets in the period the asset is acquired.

Unamortized deferred capital contributions are recognized as revenue in the periods, in which the related capital assets are amortized. The related portion of amortization expense and the deferred capital contributions revenue are matched to indicate how the related amortization expense has been funded. Unamortized deferred capital contributions relating to capital assets disposed of are recognized as revenue in the period of disposal, provided that all restrictions have been complied with.

Government grants are accounted for as unrestricted contributions or externally restricted contributions in accordance with the terms of funding.

Externally restricted contributions made for endowment purposes are not recognized as revenue, but are recorded as direct increases in net assets.

Investment earnings on unrestricted contributions and on internally restricted endowments are recorded as revenue when earned.

Amounts received for tuition fees, contract programs and sales, rentals and services are classified as unearned revenue and recognized as revenue in the period the goods are delivered or the services provided.

Fundraising project revenues are recognized when the project is complete.

(c) Inventories

Inventories of merchandise for resale are valued at the lower of cost or net realizable value. Inventories of supplies for consumption are valued at the lower of cost or replacement value.

(d) Capital Assets

Capital assets are amortized on a straight-line basis over the following average useful lives:

Buildings and renovations	40 years
Site improvements	10 years
Leasehold improvements	Lease term
Furnishings, equipment and vehicles	5 to 10 years
Library holdings	10 years

(e) Pension Obligation and Expense

The Institute and its eligible employees participate in the Local Authorities and Management Employees Pension Plans. The Institute's pension obligation is its portion of the total unfunded pension liabilities of each Plan, including deferred adjustments arising from experience gains and losses and changes in actuarial assumptions identified by new actuarial valuations. The Institute's portion is based on the ratio of pensionable earnings of the Institute's employees to the earnings of all employees of each Plan. The ratio is adjusted annually based upon the previous year's pensionable earnings of all employees in each Plan.

The actuarial valuations for the pension plans were determined using the projected benefit method prorated on service. Assumptions used in the valuations are based on the Pension Board's best estimate of future events. The Plan's future experience will differ, perhaps significantly, from the assumptions. Any differences between the actuarial assumptions and future experience emerge as gains or losses in future valuations. Gains and losses which relate to the long term are amortized over the expected average remaining service life of the employee group. Gains and losses for which there is reasonable assurance regarding their measurement and realization are recognized in income immediately.

Pension expense includes pension obligations earned by employees during the year, interest on the unfunded pension liabilities, the amortization of deferred adjustments over the expected average remaining service life of employees which relate to the long term, adjustments to the pension obligation recognized immediately if there is reasonable assurance that a gain or loss has been realized, and the effect of the change in the ratio used to allocate each Plan's total unfunded liabilities to participating entities.

(f) Expenses

Instruction encompasses all formal educational and instructional program elements. Academic support includes all activities that directly support the educational and instructional elements such as academic administration, library and audio visual services. Student services includes all activities or services to the student body of the institution including scholarships and busaries. Institutional support includes all activities that provide institution-wide support to other programs.

Note 3 Changes in Accounting Policy

In previous years, the financial statements of the Institute were not consolidated with the Northern Alberta Institute of Technology Foundation. Instead, the relationship with the Foundation was disclosed in the notes to the statements. Commencing in 1997, the financial statements are presented on a consolidated basis. Comparative 1996 figures have been adjusted accordingly.

The effect of consolidation is to increase assets by $57 (1996 $208), decrease liabilities by $703 (1996 $573), increase revenues by $2,205 (1996 $ 2,226), increase expenses by $2,226 (1996 $2,227), and increase the net assets at the beginning of the year by $781 (1996 $782).

Note 4 Investments

Short-term and long-term investments are recorded at cost or amortized cost. Fair value is based upon the quoted market price of the securities. Gains or losses are recognized as investment income in the year of sale.

The Institute's investment policy is dedicated to the principle of optimizing the return on investment without risking loss of principal. The primary objective is to ensure that the assets of the Institute are at all times prudently invested and not subject to any undue risk or loss of capital.

The Institute's investments are divided into two portfolios: a short-term portfolio designed to meet current cash flow requirements, and a long-term portfolio to support long-term institutional development.

(a) Short-Term Investments

Specific guidelines have been established with respect to asset mix, diversification, security, and performance measurement as well as quality, liquidity and term constraints.

Short-term investments, consisting of Banker's Acceptances and Government of Canada Treasury Bills, all mature within one year and bear interest at a weighted average of 2.97%. The effective yield of 2.97% represents the rate which discounts future cash receipts to the carrying value at June 30, 1997.

Carrying value of these securities approximates fair value and does not include accrued interest.

The balance of $9,079 at the end of the year is comprised of $4,234 included in the Institute's short-term portfolio and $4,845 included in the long-term portfolio. The Institute manages an additional $2,081 of short-term investments held as Funds Under Administration (Note 24), which are not included in the consolidated financial statements.

The Institute's investment guidelines restrict holdings of short-term investments to high quality and liquid securities where rate of return performance standard is the return on 91-day Canadian Treasury Bills.

(b) Long-Term Investments

Long-term investments are summarized as follows:

	1997		1996	
	Cost	Fair Value	Cost	Fair Value
	(in thousands)			
Government of Canada bonds	$ 15,725	$ 16,147	$ 6,485	$ 6,487
Provincial bonds	1,740	1,790	3,747	3,576
Corporate bonds	4,294	4,736	5,567	5,636
Mortgage backed securities	1,271	1,271	5,529	5,676
Equities	6,934	7,129	-	-
Other	50	80	50	69
	$ 30,014	$ 31,153	$ 21,378	$ 21,444

Government of Canada bonds mature between two and ten years and bear interest at a weighted average rate of 6.98%. The effective yield on these securities based on the carrying value at June 30, 1997 is 6.21%.

Provincial bonds mature between seven and nine years and bear interest at a weighted average of 6.85%. The effective yield on these securities based on the carrying value at June 30, 1997 is 6.71%.

Corporate bonds mature between five and twenty-six years and bear interest at a weighted average of 8.83%. The effective yield on these securities based on the carrying value at June 30, 1997 is 7.88%.

Mortgaged-backed securities mature within one year and bear interest at a weighted average rate of 7.77%. The effective yield on these securities based on the carrying value at June 30, 1997 is 7.76%. These securities are classified as non-current as the Institute intends, at maturity, to re-invest these funds in long-term financial instruments.

Term to maturity of bonds and mortgage-backed securities is based upon the contractual maturity of the security. Effective yields represents the rate which discounts future cash receipts to the carrying value at June 30, 1997. Risk is reduced by the requirement that all bonds and mortgage-backed securities must be rated "A" or better by the Dominion Bond Rating Service or an equivalent recognized rating agency.

Equities consist of:

	Cost	Fair Value
	(in thousands)	
Canadian equities	$ 5,679	$ 5,782
Foreign equities	1,255	1,347
	$ 6,934	$ 7,129

Risk is reduced with respect to Canadian equities by holding a diversified selection of a minimum of twenty securities and limiting exposure in any one security or issuer to 10% of the equity portfolio.

Risk is reduced with respect to the foreign equities by limiting investment to a maximum of 20% of the market value of the total equity portfolio with no more than one-third of the funds invested in emerging markets. Cash flows are denominated in US dollars.

Note 5 Accounts Receivable

Accounts receivable are summarized as follows:

	1997	1996
	(in thousands)	
Foreign trade receivables	$ 1,514	$ 756
Other trade receivables	1,779	1,652
Accrued interest on investment	396	574
	$ 3,689	$ 2,982

Note 6 Inventories

Inventories are summarized as follows:

	1997	1996
	(in thousands)	
Bookstore	$ 1,261	$ 1,097
Resources and Environment	429	299
Applied Building Sciences	309	320
General stores	215	252
Maintenance	167	163
Electrical and Electronics	143	143
Mechanical and Manufacturing	80	80
Health Sciences	77	77
Business	45	39
Information Management and Communications	13	13
	$ 2,739	$ 2,483

Note 7 Capital Assets

(a) Summary of Cost and Net Book Value

	1997			1996
	Cost and Appraisal Value	Accumulated Amortization	Net Book Value	Net Book Value
	(in thousands)			
Land	$ 30,500	$ -	$ 30,500	$ 30,500
Buildings, leasehold and site improvements	137,167	45,626	91,541	85,832
Furnishings, equipment and vehicles	55,581	41,988	13,593	11,113
Projects in progress	1,132	-	1,132	9,267
Library	1,634	1,037	597	653
	$ 226,014	$ 88,651	$ 137,363	$ 137,365

(b) Net Book Value of Capital Assets are comprised as follows:

	1997	1996
	(in thousands)	
Externally funded (unamortized deferred capital contributions)	$ 86,164	$ 89,607
Internally funded (invested in capital assets)	51,199	47,758
	$ 137,363	$ 137,365

(c) Capital Acquisitions

Capital acquisitions during the year included certain donations in kind with a fair value of $463 (1996 $358).

Note 8 Deferred Contributions

Deferred contributions represent grants received relating to future years, and unspent funds for restricted purposes. Changes in the deferred contributions balance is as follows:

	1997	1996
	(in thousands)	
Donations and contributions received during the year	$ 4,707	$ 456
Transferred to revenue	(3,905)	(411)
Increase during the year	802	45
Balance at beginning of year	356	311
Balance at end of year	$ 1,158	$ 356
The balance consists of funds restricted for:		
Learning Enhancement envelope funding	$ 564	$ -
Scholarships and bursaries	227	302
Access funding	181	-
Special project accountability	107	-
Other	79	54
	$ 1,158	$ 356

Note 9 Deferred Contributions for Capital Purposes

Deferred contributions for capital purposes represent unspent capital funds for equipment. Changes in the deferred contributions balance is as follows:

	1997	1996
	(in thousands)	
Donations and contributions received during the year	$ 2,654	$ 1,334
Transferred to revenue	(152)	-
Transferred to unamortized deferred capital contributions (Note 12)	(2,804)	(740)
Increase (decrease) during the year	(302)	594
Balance at beginning of year	1,029	435
Balance at end of year	$ 727	$ 1,029

Capital asset acquisitions having a cost less than $1 are reported as expenses. During the year, $152 of these type of capital asset purchases were purchased from capital funds included in deferred contributions for capital purposes. Accordingly $152 of the donations and contributions received during the year have been transferred to revenue.

Note 10 Deferred Contributions for Campus Expansion

Deferred contributions for campus expansion represent unspent donations and contributions received related to campus expansion. Changes in the deferred contributions for campus expansion are as follows:

	1997	1996
	(in thousands)	
Donations and contributions receiving during the year	$ 91	$ 344
Transferred to unamortized deferred capital contributions (Note 12)	(88)	(5,236)
Increase (decrease) during the year	3	(4,892)
Balance at beginning of year	68	4,960
Balance at end of year	$ 71	$ 68

Note 11 Pension Obligation

The Institute participates with other employers in the Local Authorities Pension Plan and the Management Employees Pension Plan. These plans are administered by the Alberta Pensions Administration Corporation and provide pensions for the Institute's employees based on their years of service and earnings. The Public Sector Pension Plans Act specifies the basis for determining the amount of the total unfunded liability for the plans which will be funded by employers.

The Institute's portion of unfunded pension liability for each plan as at June 30 was estimated as follows:

	1997	1996
	(in thousands)	
Local Authorities Pension Plan	$ 1,820	$ 5,491
Management Employees Pension Plan	459	747
	$ 2,279	$ 6,238

The total 1997 unfunded pension liability for each plan was determined by actuarial valuations as at December 31, 1996 extrapolated to June 30, 1997. The total 1996 unfunded pension liability for each plan was determined by actuarial valuations as at December 31, 1995 for the Local Authorities Pension Plan and as at December 31, 1994 for the Management Employees Pension Plan, both extrapolated to June 30, 1996.

The pension valuation adjustment recognizes in the current period the effect of government restructuring on the pension obligation. Government restructuring resulted in reduced plan membership, wage restraints and changes to the investment strategies of the pension plan.

The effect of the current year allocation of the pension adjustment on expenses is as follows:

	(in thousands)
Instruction	$ (2,391)
Academic Support	(694)
Student Services	(152)
Institutional Support	(615)
Ancillary	(107)
	$ (3,959)

Note 12 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the external funding of capital assets which will be recognized as revenue in future periods. Changes in the unamortized deferred capital contributions balance are as follows:

	1997	1996
	(in thousands)	
Balance at beginning of year	$ 89,607	$ 89,763
Add:		
Amount transferred from deferred contributions for capital purposes (Note 9)	2,804	740
Amount transferred from deferred contributions for campus expansion (Note 10)	88	5,236
Less amount amortized to revenue	(6,335)	(6,132)
Balance at end of year	$ 86,164	$ 89,607

Note 13 Endowments

	1997	1996
	(in thousands)	
Scholarships and bursaries	$ 2,017	$ 1,859
General	1,720	1,614
Staff development	210	204
Business conference	148	137
Continuing education	27	27
	$ 4,122	$ 3,841

Note 14 Internally Restricted for Campus Redevelopment and Systems Renewal

Internally restricted net assets represent those projects for which the Board has appropriated funds from the accumulated excess of revenue over expense for future projects. These appropriations do not have interest earnings allocated to them. Internally restricted net assets are summarized as follows:

	1997	1996
	(in thousands)	
General campus expansion	$ -	$ 1,589
Apprenticeship space	-	2,936
Campus consolidation	7,904	-
Information systems renewal	3,856	-
	$ 11,760	$ 4,525

Changes to the internally restricted net assets balances are as follows:

	General Campus Expansion	Apprenticeship Space	Campus Consolidation	Information Systems Renewal	Total
			(in thousands)		
Balance at beginning of year	$ 1,589	$ 2,936	$ -	$ -	$ 4,525
Appropriations from accumulated excess of revenue over expenses	-	-	7,904	4,988	12,892
Purchases of capital assets	(622)	-	-	(1,132)	(1,754)
Returned to accumulated excess of revenue over expenses	(967)	(2,936)	-	-	(3,903)
	$ -	$ -	$ 7,904	$ 3,856	$ 11,760

Note 15 Ancillary Services

Ancillary services revenue and direct expense are summarized as follows:

	1997 Revenue	1997 Expense	1997 Net	1996 Net
		(in thousands)		
Bookstore	$ 6,543	$ 6,333	$ 210	$ 558
Food services	2,015	1,961	54	6
Parking	969	302	667	581
	$ 9,527	$ 8,596	$ 931	$ 1,145

Note 16 Fundraising and Donations

Fundraising and donation proceeds, revenue and expense are summarized as follows:

	1997	1996
	(in thousands)	
Fundraising proceeds	$ 2,581	$ 2,940
Donation proceeds	1,298	1,415
Total proceeds	3,879	4,355
Less proceeds recorded as:		
Endowments	(270)	(362)
Deferred contributions	(274)	(690)
Deferred contributions for capital purposes	(648)	(552)
Deferred contributions for campus expansion	(88)	(232)
	(1,280)	(1,836)
Fundraising and donation revenue	2,599	2,519
Fundraising expenses	(2,159)	(2,096)
Excess of fundraising and donation revenue over expense reported on the consolidated statement of revenue and expense	$ 440	$ 423

Note 17 Investment Earnings

	1997	1996
	(in thousands)	
Investment earnings on unrestricted resources	$ 2,318	$ 2,755
Investment earnings on restricted balances	68	186
Investment earnings on resources held for endowments	277	296
Total investment earnings for the period	2,663	3,237
Less amounts deferred in the year	(21)	(239)
Total investment earnings recognized as revenue	$ 2,642	$ 2,998

Note 18 Commitments

Leases

The following is a schedule of future minimum payments at June 30, 1997 under operating leases:

	(in thousands)
1998	$ 304
1999	$ 305
2000	$ 305
2001	$ 305
2002	$ 202

Note 19 Supplementary Expenditure Information

Expense by type is summarized as follows:

	1997	1996
	(in thousands)	
Salaries and benefits (Note 20)	$ 67,590	$ 66,485
Supplies and sundry	19,911	18,849
Amortization of capital assets	7,197	6,843
Repairs and maintenance	3,674	2,388
Utilities and taxes	3,419	3,136
Travel and advertising	1,527	1,659
Scholarships and bursaries	295	252
Other	185	132
	$ 103,798	$ 99,744

Included in salary and benefits is a decrease of $3,959 (1996 $2,229) due to the change in pension obligation.

Note 20 Salary Disclosure

			1997				1996	
	Average 1997	Average 1996	FTE	Salary[1]	Benefits and Allowances[2]	Total	FTE	Total[4]
				(in thousands)				
President[3]			1	$ 120	$ 14	$ 134	1	$ 135
Vice President - Academic Services			1	95	14	109	1	107
Vice President - Human Resources and Extension			1	95	11	106	1	104
Vice President - Finance and Administration			1	93	11	104	1	99
Vice President - Student Services and Community Relations			1	87	13	100	1	89
Other management and excluded	61,839	60,782	112	5,932	994	6,926	110	6,686
Faculty	59,629	57,284	671	34,109	5,902	40,011	662	37,922
Support	37,608	35,075	431	13,927	2,282	16,209	439	15,398
Part-time, casual and contract			-	7,076	360	7,436	-	6,325
			1,219	61,534	9,601	71,135	1,216	66,865
Early retirement			-	382	147	529	-	1,849
Pension adjustment			-	-	(3,959)	(3,959)	-	(2,229)
Salaries capitalized			-	(99)	(16)	(115)	-	-
			-	283	(3,828)	(3,545)	-	(380)
			1,219	$ 61,817	$ 5,773	$ 67,590	1,216	$ 66,485

(1) Salaries and benefits are summarized by individual position and compensation groups on a full-time equivalent (FTE) basis.

(2) Benefits and allowances include the Institute's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, short and long-term disability plans and professional memberships required for employment.

(3) The President has been provided with an automobile by the Institute for which no amount is included in the benefits and allowances.

(4) Figures have been restated, where appropriate, for comparative reasons.

Note 21 Changes in Non-Cash Working Capital Accounts

	1997	1996
	(in thousands)	
Accounts receivable	$ (707)	$ 473
Inventories	(256)	(70)
Prepaid expenses	252	(40)
Accounts payable and accrued liabilities	263	(1,591)
Accrued vacation pay	193	125
Unearned revenue	883	(50)
	$ 628	$ (1,153)

Note 22 Contingent Liabilities

The Institute is a defendant in a number of legal proceedings. While the outcome of these proceedings cannot be predicted at this time, it is the opinion of management that the resolution of these claims will not have a material effect on the financial position of the Institute. Accordingly, claims against the Institute in these proceedings have not been reflected in these financial statements. The cost of settling these claims, if any, will be charged to operations upon settlement.

Note 23 Planned Expenditure

The Institute's three-year business plan describes the following infrastructure renewal plan for the period ending 1999/2000.

Funded from Internally Restricted Net Assets:	
Campus consolidation	$ 7,904
Information systems renewal	3,856
	11,760
Funded from annual capital budgets:	
Equipment	
Cash generated from future operations	11,288
Fundraising and donations	2,578
Advanced Education and Career Development	1,167
Alberta Lottery Fund	212
	15,245
Renovations	
Cash generated from future operations	5,756
Advanced Education and Career Development	7,910
	13,666
Total planned expenditures	$ 40,671

Note 24 **Funds Under Administration**

The Institute holds certain funds under administration over which the Board has no power of appropriation. Accordingly, these funds are not included in the consolidated financial statements. At June 30, 1997, trust funds under administration were as follows:

	1997	1996
	(in thousands)	
Government of Alberta Apprenticeship Initiative	$ 1,962	$ -
Northern Alberta Institute of Technology Student's Association	119	30
	$ 2,081	$ 30

Note 25 **Related Party Transactions**

The Institute received $67 million in 1997 ($65 million in 1996) of grants from the Province of Alberta. These amounts have been recognized as revenue in the consolidated statement of revenue and expense or included as unearned revenue, deferred contributions or unamortized deferred capital contributions on the consolidated statement of financial position.

In 1997, the Institute provided courses to provincial government departments and participated in offering certain courses with other public colleges and the Southern Institute of Technology. The revenues and expenses incurred for these courses have been included in the consolidated statement of revenue and expense but have not been separately quantified.

Note 26 **Financial Instruments**

The fair values of the Institute's accounts receivables, accounts payables and accrued liabilities, and accrued vacation pay approximate their carrying values due to the relatively short periods to maturity of the instruments.

Note 27 **Subsequent Events - Property Exchange**

In a land exchange agreement dated July 1, 1997 between the Institute and the Government of Alberta, the Institute transferred the Westerra campus property, located in Stony Plain, Alberta, to the Government in exchange for the Souch campus property, located in Edmonton, Alberta for one dollar. On July 1, 1997 the Institute also entered into an agreement with the Government to lease the Westerra campus until July 31, 1998 for the nominal consideration of one dollar.

Note 28 **Comparative Figures**

Certain 1996 figures have been reclassified to conform to 1997 consolidated presentation.

Note 29 **Budget**

The Institute's Board of Governors approved the operating budget reflecting a $1,920 excess of revenue over expense at the April 1, 1996 Board meeting.

Note 30 **Approval of Financial Statements**

These financial statements were approved by the Board of Governors.

SOUTHERN ALBERTA INSTITUTE OF TECHNOLOGY
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 1997

AUDITOR'S REPORT

To the Board of Governors of the
Southern Alberta Institute of Technology

I have audited the consolidated statement of financial position of the Southern Alberta Institute of Technology as at June 30, 1997 and the consolidated statement of operations, the consolidated statement of changes in net assets, and the consolidated statement of changes in financial position for the year then ended. I have also audited the consolidated statement of supplementary performance information for the year ended June 30, 1997. These consolidated statements are the responsibility of the Institute's management. My responsibility is to express an opinion on these consolidated statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation.

In my opinion, these consolidated financial statements present fairly the financial position of the Institute as at June 30, 1997 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

In my opinion, the consolidated statement of supplementary performance information presents fairly, in all material respects, the Institute's performance in accordance with the disclosed basis of measurement and presentation as described in the notes to the statements.

Original signed by
Peter Valentine, FCA
Auditor General

Edmonton, Alberta
September 18, 1997

SOUTHERN ALBERTA INSTITUTE OF TECHNOLOGY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 1997
(in thousands)

	1997	1996 (Restated)
ASSETS		
Current:		
Cash and short-term investments (Note 4)	$ 12,186	$ 16,698
Accounts receivable	3,923	3,901
Inventories (Note 5)	1,329	1,229
Prepaid expenses	412	130
	17,850	21,958
Investments (Note 6)	40,807	27,904
Capital assets (Note 7)	87,457	89,533
	$ 146,114	$ 139,395
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued liabilities	$ 8,494	$ 7,444
Deferred revenue (Note 8)	3,392	2,469
Deferred salary plans	130	280
Deferred contributions (Note 9)	4,108	3,891
Accrued vacation pay	5,937	4,992
Obligations under capital leases (Note 10)	136	127
	22,197	19,203
Obligations under capital leases (Note 10)	148	285
Pension liability (Note 11)	1,451	4,329
Unamortized deferred contributions related to capital assets (Note 12)	59,314	61,910
	83,110	85,727
Net assets:		
Unrestricted net assets	10,736	9,036
Net assets internally restricted by the Board (Note 13)	20,000	13,000
Net assets invested in capital assets (Note 14)	28,143	27,623
Net assets restricted for endowment purposes	4,125	4,009
	63,004	53,668
	$ 146,114	$ 139,395

The accompanying notes are part of these consolidated financial statements.

SOUTHERN ALBERTA INSTITUTE OF TECHNOLOGY
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 1997
(in thousands)

	1997 Budget (Note 15)	1997 Actual	1996 Actual (Restated)
Revenue:			
Grants, Province of Alberta	$ 54,967	$ 55,827	$ 56,397
Earned revenue programs	14,986	18,772	17,624
Ancillary services	8,351	9,023	8,089
Tuition fees	7,600	7,523	6,286
Sales, rentals and services	2,736	2,666	2,707
Investment income	2,200	3,237	2,576
Other student sources	2,072	2,383	1,739
Donations and contributions	350	1,398	225
	93,262	100,829	95,643
Amortization of deferred contributions related to capital assets (Note 12)	4,602	6,276	6,663
	97,864	107,105	102,306
Expense:			
Instruction	44,695	47,529	43,912
Academic support	8,833	10,905	9,235
Student services	3,959	3,891	3,339
Institutional support	18,019	20,721	19,425
Scholarships and projects	850	1,787	656
Ancillary services	6,827	7,349	6,394
Capital asset amortization	9,080	7,838	7,847
Capital asset loss on disposals	1,000	-	20
Unallocated pension valuation adjustment (Note 11)	-	(2,135)	-
	93,263	97,885	90,828
Excess of revenue over expense	$ 4,601	$ 9,220	$ 11,478

SOUTHERN ALBERTA INSTITUTE OF TECHNOLOGY
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 1997

(in thousands)

	1997						1996
	Invested in Capital Assets	Restricted for Endowment Purposes	Internally Restricted by the Board	Unrestricted	Contributed Surplus	Total	Total (Restated)
Balance beginning of year, as previously reported	$ -	$ 4,009	$ 13,000	$ 6,100	$ 80,795	$ 103,904	$ 95,979
Adjustment (Note 3)	27,623	-	-	2,936	(80,795)	(50,236)	(54,020)
Balance beginning of year, as restated	27,623	4,009	13,000	9,036	-	53,668	41,959
Excess (deficiency) of revenues over expenses	(1,562)	-	-	10,782	-	9,220	11,478
Endowment contributions	-	116	-	-	-	116	231
Allocation to internally restricted net assets (Note 13)	-	-	7,000	(7,000)	-	-	-
Investment in capital assets	2,082	-	-	(2,082)	-	-	-
Balance end of year (Note 14)	$ 28,143	$ 4,125	$ 20,000	$ 10,736	$ -	$ 63,004	$ 53,668

SOUTHERN ALBERTA INSTITUTE OF TECHNOLOGY
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 1997

(in thousands)

	1997	1996 (Restated)
Cash provided from (used in) operating activities:		
Excess of revenue over expense	$ 9,220	$ 11,478
Non-cash transactions:		
Capital asset amortization	7,838	7,847
Capital asset loss on disposals	-	20
Amortized deferred contributions related to capital assets (Note 12)	(6,276)	(6,663)
Decrease in pension liability	(2,878)	(1,585)
	7,904	11,097
Changes in non-cash working capital (Note 22)	2,581	492
Deferred capital contributions (Note 12)	3,680	2,172
	14,165	13,761
Cash provided from (used in) investing activities:		
Capital asset acquisitions	(5,762)	(5,160)
Proceeds from disposal of capital assets	-	47
Purchase of investments, net	(12,903)	(15,168)
	(18,665)	(20,281)
Cash provided from (used in) financing activities:		
Proceeds from capital leases	-	42
Payments on capital leases	(128)	(117)
Contributions to endowments	116	231
	(12)	156
Decrease in cash and short-term investments	(4,512)	(6,364)
Cash and short-term investments, beginning of year	16,698	23,062
Cash and short-term investments, end of year	$ 12,186	$ 16,698

SOUTHERN ALBERTA INSTITUTE OF TECHNOLOGY
CONSOLIDATED STATEMENT OF SUPPLEMENTARY PERFORMANCE INFORMATION
FOR THE YEAR ENDED JUNE 30, 1997

	1997	1996
Full-load equivalent students	9,329	8,750
Net cost per full-load equivalent student (Note 17)	$ 9,001	$ 9,041
Student hours (contact or equivalent)	7,811,923	7,158,832
Net cost per student hour (Note 18)	$ 11	$ 11
Students surveyed during the fiscal year who completed a Certificate or Diploma program during the year ended June 30, 1996 (1995 for comparative figures) (Note 20):		
Annualized salary median for those with full-time employment	$ 23,400	$ 21,600
Employment rate:		
Full-time	70%	61%
Contract, part-time or temporary	27%	32%
Overall	97%	93%

SOUTHERN ALBERTA INSTITUTE OF TECHNOLOGY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 1997

Note 1 Authority

The Southern Alberta Institute of Technology operates under the authority of the Technical Institutes Act, Chapter T-3.1, Statutes of Alberta 1981, as amended. The Institute provides educational programs to provide a skilled, productive work force for the economic development of Alberta and Canada. The Institute is exempt from payment of income tax and is also a registered charity under the Income Tax Act. The Institute was established as a board governed institution on April 1, 1982.

Note 2 Significant Accounting Policies

(a) General

These financial statements have been prepared in accordance with generally accepted accounting principles, and include supplementary performance information in accordance with the following guidelines:

(i) Supplementary performance information should be understandable, relevant, reliable and comparable. Supplementary performance information should be limited to those few key performance measures which influence decisions.

(ii) Supplementary performance information should include measurable information on the Institute's outputs.

(iii) Supplementary performance information should support efforts to evaluate cost effectiveness. Information on the costs of the Institute's outputs should be linked with information on the results these outputs achieve.

(b) Consolidated Statements

These consolidated financial statements include the accounts of Synectic Learning Systems Ltd., a wholly owned subsidiary, incorporated under the Business Corporations Act of Alberta.

(c) Revenue Recognition

Operating grants, including grants from the Province of Alberta, are recognized as revenue, either in the period received, or, where a portion of the grant relates to a future period, the portion is deferred and recognized in the subsequent period.

Capital grants, including grants from the Province of Alberta, are recorded as deferred contributions until the amount is invested in capital assets. Amounts invested representing funded capital assets and contributions of property are then transferred to unamortized deferred contributions related to capital assets. Unamortized deferred contributions related to capital assets are recognized as revenue in the periods in which the related amortization expense of the funded capital asset is recorded. The related portion of amortization expense and the deferred capital contributions revenue are matched to indicate that the related amortization expense has been funded.

Unrestricted cash donations are recognized as revenue when they are received. Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

Externally restricted non-capital contributions are deferred and are recognized as revenue in the period in which the related expense is incurred. Externally restricted amounts can only be used for purposes designated by external parties. Any externally restricted contributions containing stipulations that the amounts should be retained as net assets or that the contributions should not be expended are recorded as direct increases in net assets. Such stipulations would include contributions made for endowment purposes or to be used to acquire non-amortizable property.

Amounts received for tuition fees, and sale of goods and services are classified as deferred and recognized as revenue at the time the goods are delivered or the services are provided.

(d) Investments

Investments are recorded at cost. Gains and losses on investments are recognized at realization, or when there is permanent impairment in the value of an investment.

(e) Capital Assets

Land is recorded at fair market value and buildings are recorded at amortized replacement cost, as determined by an independent appraisal as at April 1982. Subsequent additions are recorded at cost.

Furnishings, equipment and computer software are recorded at cost. Donated assets are recorded at fair market value at the time of receipt of the donation.

Capital assets are amortized on a straight-line basis over the following average useful lives:

Buildings	40 years
Furnishings, equipment and library	10 years
Computer hardware, software and vehicles	5 years

(f) Inventories

Inventories are valued at the lower of cost or net realizable value.

(g) Pension Costs

Pension costs are included in salaries, wages and benefits and the unallocated pension valuation adjustment.

The portion allocated to program expenses and included in salaries, wages and benefits comprises the cost of pension benefits earned by employees during the year; interest on the Institute's share of the unfunded pension liability; the amortization of deferred adjustments over the expected average remaining service life of employees which relate to the long-term; and the effect of the change in the ratio used to allocate the plan's total unfunded liability to participating entities.

The unallocated pension valuation adjustment is to recognize immediately the effect on the pension liability when there is reasonable assurance that a gain or loss has been realized.

(h) Expenses

Instruction encompasses all formal educational and instructional program elements. Academic support includes all activities that directly support the educational and instructional elements such as academic administration and library and audio visual services. Student services include all activities or services provided to the student body of the institution. Institutional support includes all activities that provide institution-wide support to other programs.

Note 3 Change in Accounting Policy (in thousands)

Contribution of Capital Assets

During the year, the Institute changed its method of accounting for the contribution of buildings and equipment transferred from the Province of Alberta in 1983. These assets are now accounted for using the policy, described in Note 2 (c), for capital grants. This change has been applied retroactively with restatement of prior years' amounts. The change has had the effect of increasing amortization of deferred contributions revenue related to capital assets by $3,783 (1996 $3,783), increasing unamortized deferred contributions related to capital assets by $46,452 (1996 $50,236) and eliminating contributed surplus.

The effect of this change on net assets at the beginning of the year is as follows:

	1997	1996
Net assets at beginning of year, as previously reported	$ 103,904	$ 95,979
Adjustment	(50,236)	(54,020)
Net assets at beginning of year, as restated	$ 53,668	$ 41,959

Note 4 Cash and Short-term Investments

Cash and short-term investments are summarized as follows:

	1997				1996	
	Cash	Investments	Total Cost	Market	Total Cost	Market
			(in thousands)			
Bank overdraft	$ (1,385)	$ -	$ (1,385)	$ (1,385)	$ (838)	$ (838)
Money market investments[1]	-	13,567	13,567	13,582	17,457	17,582
Bonds	-	-	-	-	74	74
Cash held by investment manager	4	-	4	4	5	5
Total	$ (1,381)	$ 13,567	$ 12,186	$ 12,201	$ 16,698	$ 16,823

(1) Money market investments are purchased at a discount and are invested by an external investment manager. These investments can be of three types:

(a) Government of Canada bonds or Government of Canada guaranteed bonds with no limit.
(b) Major Canadian chartered banks with up to 10% of total portfolio in any one issuer.
(c) Canadian corporate paper rated R-1 mid to high with up to 5% of the total portfolio in any one issuer and up to 30% of the total portfolio.

These investments mature in less than one year and had a rate of return for the year of 3.71% (1996 5.95%). The prime investment consideration for these funds is to provide a secure and consistent income flow.

Note 5 Inventories

Inventories are summarized as follows:

	1997	1996
	(in thousands)	
Bookstore	$ 1,061	$ 950
Materials and supplies	165	193
Foodstores	103	86
	$ 1,329	$ 1,229

Note 6 Investments

The Board of Governors has approved an investment strategy. The primary investment objective is the preservation of capital. The Board has established guidelines that provide restrictions on the types and amounts of investments that may be purchased and held. The average quality rating is limited to AA. The guidelines are as follows:

(a) no limit on Government of Canada bonds,
(b) up to 10% of the total portfolio, in any one of other government bonds rated A,
(c) up to 5% of the total portfolio in any one issuer of Canadian corporate bonds rated A, and
(d) up to 30% of the total portfolio, including the portion held in short-term investments, in Canadian corporate bonds.

	1997		1996	
	Cost	Market	Cost	Market
	(in thousands)			
Federal and provincial government bonds	$ 15,948	$ 17,033	$ 15,927	$ 16,189
Government guaranteed bonds	6,555	6,696	7,330	7,376
Mortgage-backed securities	18,304	18,268	4,647	4,686
	$ 40,807	$ 41,997	$ 27,904	$ 28,251

Note 7 Capital Assets

(a) Summary of Cost and Net Book Value

	1997			1996
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	(in thousands)			
Land and improvements	$ 22,992	$ -	$ 22,992	$ 22,992
Buildings	156,978	106,505	50,473	54,042
Furnishings, equipment, and library	42,906	34,841	8,065	8,244
Computers and vehicles	21,583	15,656	5,927	4,255
	$ 244,459	$ 157,002	$ 87,457	$ 89,533

(b) Capital Acquisitions

Capital acquisitions during the year included donations in kind in the amount of $1,932,000 (1996 $925,000).

Assets amounting to $Nil (1996 $42,000) were acquired under capital lease agreements.

Note 8 Deferred Revenue

Deferred revenue is summarized as follows:

	1997	1996
	(in thousands)	
Earned revenue programs	$ 2,602	$ 1,589
Tuition fees	526	492
Ancillary services and other	264	388
	$ 3,392	$ 2,469

Note 9 Deferred Contributions

Changes in deferred contributions are as follows:

	1997	1996
	(in thousands)	
Contributions received during the year:		
Restricted Province of Alberta grants	$ 4,587	$ 592
Donations and contributions	3,162	2,606
Transferred to revenue:		
Province of Alberta grants	(1,857)	-
Donations and contributions	(1,347)	(174)
Earned revenue programs	(648)	(592)
Transferred to endowments	-	(231)
Transferred to unamortized deferred contributions related to capital assets (Note 12)	(3,680)	(2,172)
Increase during the year	217	29
Deferred contributions at beginning of year	3,891	3,862
Deferred contributions at end of year	$ 4,108	$ 3,891

	1997	1996
	(in thousands)	
The balance of deferred contributions is comprised of:		
Scholarships	$ 391	$ 285
Program delivery	1,800	2,309
Capital	1,382	1,027
Other	535	270
	$ 4,108	$ 3,891

Note 10 Capital Leases

The following is a schedule of future minimum annual lease payments:

	(in thousands)
1998	$ 156
1999	84
2000	80
Total minimum lease payments	320
Less amount representing interest	36
Capital lease obligations	284
Less current portion	136
	$ 148

The implicit interest rates payable on these leases range from 6.5% to 7.52%. Interest of $29,000 has been charged to expense during the year.

Note 11 Pension Liability

The Institute and its eligible employees participate in the Local Authorities Pension Plan and the Management Employees Pension Plan. These plans are administered by the Alberta Pensions Administration Corporation and provide pensions for the Institute's employees based on years of service and earnings. The Institute had an unfunded pension liability for each plan as at June 30, which was estimated as follows:

	1997	1996
	(in thousands)	
Local Authorities Pension Plan	$ 1,318	$ 4,149
Management Employees Pension Plan	133	180
	$ 1,451	$ 4,329

The total 1997 unfunded pension liability for each plan was determined by actuarial valuations as at December 31, 1996 extrapolated to June 30, 1997. The total 1996 unfunded pension liability for each plan was determined by actuarial valuations as at December 31, 1995 for the Local Authorities Pension Plan and as at December 31, 1994 for the Management Employees Pension Plan, both extrapolated to June 30, 1996. The actuarial valuations were determined using the projected benefit method prorated on service. Assumptions used in the valuations are based on each Pension Board's best estimate of future events. Each plan's future experience will inevitably vary, perhaps significantly, from the assumptions. Any difference between the actuarial assumptions and future experience will emerge as gains or losses in future valuations. Gains and losses that relate to the long term are amortized over the expected average remaining service life of the employee group. Gains and losses for which there is reasonable assurance regarding their measurement and realization are recognized in income immediately.

The Public Sector Pension Plans Act specifies the basis to determine the amount of the total unfunded liability for each plan that will be funded by employers. The Institute's portion of those employers' liabilities was based on the Institute's percentage of the total pensionable payroll of all employers in each plan.

The unallocated pension valuation adjustment recognizes in the current period the effect of government restructuring on the pension obligation. Government restructuring resulted in reduced plan membership, wage restraints and changes to the investment strategies of the pension plan.

The decrease in the pension liability has been accounted for as follows:

	1997	1996
	(in thousands)	
Allocated to program expenses	$ 743	$ 1,585
Unallocated pension valuation adjustment	2,135	-
	$ 2,878	$ 1,585

Note 12 Unamortized Deferred Contributions Related to Capital Assets

Changes in unamortized deferred contributions related to capital assets are as follows:

	1997	1996
	(in thousands)	
Transferred from deferred contributions to acquire capital assets (Note 9)	$ 3,680	$ 2,172
Transferred to revenue	(6,276)	(6,663)
Decrease during the year	(2,596)	(4,491)
Unamortized deferred contributions related to capital assets, beginning of year as previously reported	11,674	12,381
Adjustment (Note 3)	50,236	54,020
Unamortized deferred contributions related to capital assets, beginning of year as restated	61,910	66,401
Unamortized deferred contributions related to capital assets, end of year	$ 59,314	$ 61,910

Note 13 Net Assets Internally Restricted by the Board

Net assets internally restricted by the Board represent amounts set aside by the Institute's Board of Governors to be used for the following designated purposes. These amounts are not available for other purposes without the approval of the Board.

An additional $7 million has been set aside as at June 30, 1997 for curriculum development, increasing the total amount set aside from $13 million to $20 million.

	1997	1996
	(in thousands)	
Building renewal	$ 10,000	$ 10,000
Curriculum development	10,000	3,000
	$ 20,000	$ 13,000

Note 14 Net Assets Invested in Capital Assets

	1997	1996
	(in thousands)	
Capital assets	$ 87,457	$ 89,533
Unamortized deferred contributions related to capital assets	(59,314)	(61,910)
	$ 28,143	$ 27,623

Note 15 Revenue and Expense Budget

On April 24, 1996 the Board of Governors approved a revenue and expense budget, by object, for the year ended June 30, 1997. The approved budget is presented below for comparison to actual results. The budget amounts included on the statement of operations are a reclassification of the amounts approved by the Board.

The budget was prepared before the change in method of accounting for building and equipment transferred from the Province described in Note 3. Therefore, the budget amount of $4,062,000 for amortization of deferred contributions related to capital assets did not anticipate the $3,783,000 increase caused by the restatement.

	1997		1996
	Budget	Actual	Actual
		(in thousands)	
Revenue:			
Grants, Province of Alberta	$ 54,967	$ 55,827	$ 56,397
Earned revenue programs	14,986	18,772	17,624
Ancillary services	8,351	9,023	8,089
Tuition fees	7,600	7,523	6,286
Sales, rentals and services	2,736	2,666	2,707
Investment income	2,200	3,237	2,576
Other student sources	2,072	2,383	1,739
Donations and contributions	350	1,398	225
	93,262	100,829	95,643
Amortization of deferred contributions related to capital assets	4,602	6,276	6,663
	97,864	107,105	102,306
Expense:			
Salaries, wages and benefits (Note 16)	60,692	65,568	59,889
Supplies and services	14,401	15,614	13,178
Utilities	2,883	2,814	2,379
Rentals and maintenance	3,488	5,164	5,740
Capital asset amortization	9,080	7,838	7,847
Capital asset loss on disposals	1,000	-	20
Travel and hospitality	869	1,235	1,119
Scholarships and projects	850	1,787	656
Unallocated pension valuation adjustment	-	(2,135)	-
	93,263	97,885	90,828
Excess of revenue over expense	$ 4,601	$ 9,220	$ 11,478

Note 16 Salaries, Wages and Benefits

	1997						1996			
	Number of Individuals	Vacation Days[1]	Salary[2]	Benefits[3]	Total	Average	Number of Individuals	Vacation Days[1]	Total	Average
			(in thousands)						(in thousands)	
Executives:										
President[4]	1	25	$ 117	$ 13	$ 130	$ 129,911	1	25	$ 121	$ 120,577
Vice-President, Academic[4]	1	25	102	14	116	115,611	1	25	108	107,647
Vice-President, Administration[4][5]	1	25	102	16	118	117,389	1	30	110	109,415
Vice-President, Institutional Advancement[4][5]	1	25	102	16	118	117,612	1	35	108	107,652
Instructor	1	47	127	7	134	133,853	1	47	126	126,026
Salaried:										
Management	26	35	1,959	340	2,299	88,423	28	35	2,383	85,107
Faculty	429	47	25,506	3,891	29,397	68,524	411	47	27,243	66,285
Administrative support, unionized	335	24	11,731	2,182	13,913	41,531	342	24	13,628	39,848
Administrative support, non-unionized	20	25	708	135	843	42,150	22	26	912	41,455
Professional and technical	50	33	2,663	456	3,119	62,380	44	33	2,678	60,864
Non-salaried staff[6]			14,966	667	15,633				13,707	
Board of Governors - honoraria[7]										
Chairman	1		-	-	-		1		-	
Members	7		-	-	-		8		-	
Members	7		12	-	12		6		11	
					65,832				61,135	
Pension cost accrual					(743)				(1,585)	
Vacation pay accrual					945				(127)	
Employee dividends - declared but not paid					(466)				466	
Salaries, wages and benefits (Note 15)					$ 65,568				$ 59,889	

(1) Average number of days of vacation entitlement for the respective employee groups excluding 12 days of statutory holidays.

(2) Salary includes regular base pay, faculty overload payments, overtime, employee dividends, and contract fees.

(3) Benefits include the Institute's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, short and long-term disability plans, and professional memberships, dues and professional development expenses, in accordance with Treasury Board Directives 11/95 and 01/94.

(4) Automobile provided, but no dollar amount included in the benefits figure in accordance with Treasury Board Directives 11/95 and 01/94.

(5) Number of vacation days reduced to 25 in exchange for salary compensation.

(6) Non-salaried staff includes all wage and contract staff and others remunerated on an hourly basis, but excludes contract fees paid to salaried staff, which are included in the appropriate employee group.

(7) Some members do not accept honoraria.

Note 17 Full-load Equivalent Students

	Degree, Certificate and Diploma Programs	Apprenticeship Training Programs	Earned Revenue Programs	1997 Institute Totals	1996 Institute Totals
Costs per financial statements				$ 97,885,000	$ 90,828,000
Costs of non-academic Institute programs (Note 21)				(12,867,000)	(10,455,000)
Program costs[1]	$ 46,830,000	$ 12,438,000	$ 25,750,000	85,018,000	80,373,000
Cost recoveries and miscellaneous sales and other revenue[2]	(578,000)	(153,000)	(318,000)	(1,049,000)	(1,264,000)
Net program costs	$ 46,252,000	$ 12,285,000	$ 25,432,000	$ 83,969,000	$ 79,109,000
Full-load equivalent students (FLE)	5,846	1,056	2,427	9,329	8,750
Net cost per FLE student	$ 7,912	$ 11,634	$ 10,479	$ 9,001	$ 9,041

(1) Academic department administration costs are allocated based on direct cost proportions for each program type. Institute overhead costs are allocated based on the number of class and laboratory hours for each program type.

(2) Information Systems Department consulting fees, liquor and food receipts from student training product sales, printing services sales, educational resource sales and other miscellaneous fees for services generated gross revenues of $1,049,000. This revenue is netted against program costs on the same basis as associated direct and overhead costs.

As defined by the Department of Advanced Education and Career Development, one full-load equivalent (FLE) student reflects one student completing the full load for one year of study in a program, or several students combining to complete the equivalent of a normal full load. For programs where a year of study requires 24 to 36 weeks, an individual student taking a full load will earn one FLE. A student completing the requirements for a program less than 24 weeks will earn less than one FLE for a full year of study. Similarly, a student completing the requirements for a program greater than 36 weeks will earn more than one FLE for a full year of study. The FLE computation for a short or long program is based on a 32 week program of study. Apprenticeship Training Programs use 30 weeks as the standard length for FLE computations for one year of study in a program.

Programs are designed by the Institute - curriculum, program length and delivery mode.

The number of FLE students enrolled in credit courses during the year is calculated by:

(i) accumulating the student hours (contact or equivalent) of a student through an academic year,
(ii) dividing the accumulated student hours by the hours required to complete a year of study in a program, and
(iii) aggregating the numbers for all students.

In addition, non-credit course registrations are converted into FLE's in the same manner as credit courses.

Note 18 **Student Hours (Contact or Equivalent)**

	Degree, Certificate and Diploma Programs	Apprentice-ship Training Programs	Earned Revenue Programs	1997 Institute Totals	1996 Institute Totals
Net program costs (Note 17)	$ 46,252,000	$ 12,285,000	$ 25,432,000	$ 83,969,000	$ 79,109,000
Student hours (contact or equivalent)	4,825,839	950,880	2,035,204	7,811,923	7,158,832
Net cost per student hour (contact or equivalent)	$ 10	$ 13	$ 12	$ 11	$ 11
FLE students (Note 17)	5,846	1,056	2,427	9,329	8,750
Average hours per FLE	825	900	839	837	818

Student hours (contact or equivalent) represent the number of classroom (including hours derived from courses taught by alternate delivery methods i.e. correspondence, teleconference and computer managed learning), laboratory, or practicum hours given credit by the Institute to each student. Student hours (contact or equivalent) are calculated by multiplying the number of students enrolled in each course by the number of classroom, laboratory and practicum hours provided by the Institute for each respective course.

Note 19 **Program Completion Rate**

In prior years the Institute reported a program completion rate. The program completion rate was estimated by dividing the number of students who complete a program of study during the current fiscal year by the total number of students who registered in the program one, two, three and four years ago for one, two, three and four year programs respectively. It included only those students that completed their program within the normal program length, in other words, those students that completed their program on time.

For any programs that include a practicum, the time needed to complete the practicum is in addition to the normal program length. These students would not complete their program on time and therefore, would not be included in an on time completion rate. Therefore, the method used to determine completion is not meaningful, and accordingly, is not included in these statements. Management is committed to the reporting of a completion rate and is working toward an appropriate method of measuring completion rate so that it can be reported in future years.

Note 20 Employment Upon Program Completion

Employment Results for Students Who Completed a Certificate or Diploma Program In 1996	Surveyed....		Of Those Responding....			Of Those Looking for Employment....			
	Number of Students Who Completed a Program	Number of Survey Respondents	Number Pursuing Further Education	Number Not Seeking Employment or Pursuing Education	Number Seeking Employment	Full-time Employment	Full-time Employment Annualized Salary Median	Contract, Part-time or Temporary Employment	Overall Employment Rate
Business	466	448 96%	82 18%	10 2%	356 79%	255 72%	$ 20,400	94 26%	98%
Communications	176	165 94%	8 5%	5 3%	152 92%	71 47%	$ 18,000	72 47%	94%
Engineering Technologies	642	624 97%	38 6%	12 2%	574 92%	465 81%	$ 26,400	97 17%	98%
Health Sciences	265	257 97%	12 5%	56 22%	189 74%	87 46%	$ 21,000	94 50%	96%
Hospitality	185	169 91%	11 7%	3 2%	155 92%	103 66%	$ 15,000	42 27%	94%
Transport Mech./ Facility Ops	182	175 96%	22 13%	2 1%	151 86%	121 80%	$ 23,100	25 17%	97%
1997 Totals	1,916	1,838 96%	173 9%	88 5%	1,577 86%	1,101 70%	$ 23,400	424 27%	97%
1996 Totals(1)	1,801	1,708 95%	147 9%	38 2%	1,523 89%	936 61%	$ 21,600	482 32%	93%

(Percentage totals may not add in this table because of rounding)

(1) Employment results for students who completed a certificate or diploma program in 1995.

The employment survey does not include students who have completed the Certificate/Diploma Academic Upgrading Program, Apprenticeship Training Programs, or Earned Revenue Programs.

Employment information was collected from students who have completed a program of study during the 1995-96 academic year.

Surveys were sent with diplomas and certificates. Non-respondents were contacted by telephone between October 1996 and March 1997. Survey results of those who responded were extrapolated to the entire population of students surveyed.

Employment is full-time if the student who completed a program indicated that their job was full-time at the time of the survey, or had been for at least three months in a full-time position prior to the survey completion date, but were not employed at the date of the survey.

Contract, part-time, or temporary employment includes students who completed a program and were employed in a contract, part-time, or temporary position at the time of the survey, or had been employed for at least three months in such a position and were unemployed at the time of the survey.

Note 21 Non-academic Institute Programs

	Revenue	Operating Expense	Gross Margin	Allocated Overhead	Amortization of Capital Assets	Net Profit (Loss) 1997	Net Profit (Loss) 1996
				(in thousands)			
Campus Centre	$ 1,087	$ 1,086	$ 1	$ 358	$ 435	$ (792)	$ (507)
Ancillary services[1]	9,427	7,349	2,078	1,151	504	423	171
Scholarship and projects	1,787	1,787	-	-	-	-	-
Synectic Learning Systems Ltd.	292	190	102	-	7	95	3
Total	$ 12,593	$ 10,412	$ 2,181	$ 1,509	$ 946	$ (274)	$ (333)

(1) These non-academic activities are intended to generate revenue to offset associated costs or make a profit.

Note 22 Changes in Non-cash Working Capital

	1997	1996
	(in thousands)	
Accounts receivable	$ (22)	$ (386)
Inventories	(100)	(149)
Prepaid expenses	(282)	311
Accounts payable and accrued liabilities	1,050	526
Deferred revenue	923	341
Deferred salary plans	(150)	(53)
Deferred contributions	217	29
Accrued vacation pay	945	(127)
	$ 2,581	$ 492

Note 23 Comparative Figures

Certain 1996 figures have been reclassified to conform to 1997 presentation.

ATHABASCA UNIVERSITY
FINANCIAL STATEMENTS
MARCH 31, 1998

AUDITOR'S REPORT

To the Athabasca University Governing Council

I have audited the statement of financial position of the Athabasca University as at March 31, 1998 and the statements of operations, changes in net assets and changes in financial position for the year then ended. These financial statements are the responsibility of the University's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the University as at March 31, 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Original signed by
Peter Valentine, FCA
Auditor General

Edmonton, Alberta
May 20, 1998

ATHABASCA UNIVERSITY
STATEMENT OF FINANCIAL POSITION
MARCH 31, 1998
(thousands of dollars)

	1998	1997
ASSETS		
Current		
Cash and short-term investments	$ 7,390	$ 7,879
Accounts receivable (Note 3)	1,540	2,267
Inventory of course materials	2,655	2,020
Prepaid expenses	176	191
	11,761	12,357
Restricted investments (Note 4)	5,864	4,730
Deferred course development costs (Note 5)	1,333	132
Capital assets (Note 6)	18,967	19,083
	$ 37,925	$ 36,302
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accruals	$ 1,139	$ 1,479
Salaries and benefits payable	1,936	1,640
Deferred revenue (Note 7)	3,807	3,981
	6,882	7,100
Pension liability (Note 8)	982	1,980
Deferred capital and deferred course development contributions (Note 9)	14,434	13,718
	22,298	22,798
Net assets		
Investment in capital assets (Note 6)	5,828	5,365
Endowments (Note 10)	989	989
Internally restricted (Note 11)	4,875	3,741
Unrestricted	3,935	3,409
	15,627	13,504
	$ 37,925	$ 36,302

The accompanying notes are part of these financial statements.

ATHABASCA UNIVERSITY
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31,1998
(thousands of dollars)

	1998 Budget (Note 12)	1998 Actual	1997 Actual
Revenue			
Province of Alberta grants (Note 14)	$ 14,262	$ 14,851	$ 14,788
Undergraduate student fees	7,099	8,615	7,369
Graduate student fees	3,375	3,338	2,232
Sales of goods and services	1,588	2,416	2,075
Amortization of deferred capital and deferred course development contributions (Note 9)	800	626	596
Interest (Note 10)	515	463	465
Donations	-	144	99
Other	-	54	10
	27,639	30,507	27,634
Expense			
Salaries and benefits (Note 17)	17,716	16,653	14,133
Fees and purchased services	3,126	3,756	3,129
Materials and supplies	2,047	2,917	2,646
Communications and travel	2,081	2,276	1,953
Amortization of capital assets and deferred course development costs	1,850	2,082	1,939
Insurance, utilities and taxes	284	277	279
Facilities rental	326	365	295
Scholarships	-	58	51
	27,430	28,384	24,425
Excess of revenue over expense	$ 209	$ 2,123	$ 3,209

ATHABASCA UNIVERSITY
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 1998
(thousands of dollars)

	1998 Investment in Capital Assets	1998 Endowments	1998 Internally Restricted	1998 Unrestricted	1998 Total	1997 Total
Balance, beginning of year	$5,365	$989	$3,741	$3,409	$13,504	$10,295
Excess of revenue over expense	-	-	-	2,123	2,123	3,209
Investment in capital assets, net	463	-	-	(463)	-	-
Transfers	-	-	1,134	(1,134)	-	-
Balance, end of year	$5,828	$989	$4,875	$3,935	$15,627	$13,504

ATHABASCA UNIVERSITY
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1998
(thousands of dollars)

	1998	1997
Cash provided from (used in) operating activities:		
Excess of revenue over expense	$ 2,123	$ 3,209
Items not affecting cash flow:		
Amortization of capital assets and deferred course development costs	2,082	1,939
Amortization of deferred capital and deferred course development contributions	(626)	(596)
Decrease in pension liability	(998)	(1,201)
	2,581	3,351
Net (decrease) increase in non-cash working capital	(111)	1,380
	2,470	4,731
Cash used in investing and financing activities:		
Increase in restricted investments	(1,134)	(1,224)
Deferred course development costs	(1,342)	(11)
Capital asset acquisitions	(1,825)	(1,737)
Deferred capital and deferred course development contributions	1,342	-
	(2,959)	(2,972)
(Decrease) increase in cash and short-term investments	(489)	1,759
Cash and short-term investments, beginning of year	7,879	6,120
Cash and short-term investments, end of year	$ 7,390	$ 7,879

ATHABASCA UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 1998
(thousands of dollars)

Note 1 Authority and Purpose

Athabasca University (the "University") operates under the authority of the Universities Act, Chapter U-5, Revised Statutes of Alberta 1980. It is directed by an appointed Governing Council and offers undergraduate and graduate degree programs through distance education. The University is a registered charity and is exempt from the payment of income taxes.

Note 2 Significant Accounting Policies and Reporting Practices

(a) Revenue Recognition

Government operating grants are recognized as revenue, in the period received, or, where the grants relate to a future period, they are deferred and recognized in the subsequent period. Revenues received for the provision of goods and services are recognized in the period in which the goods are provided or the services rendered.

Contributions restricted for purposes other than endowment or the acquisition of capital assets are deferred and recognized as revenue in the year in which the related expenses are incurred. Contributions restricted for the acquisition of capital assets having a limited life are deferred and recorded as deferred capital contributions in the period in which they are expended. Deferred capital contributions are amortized to revenue over the useful lives of the related assets. Contributions restricted for the development of courses are deferred and amortized to revenue over the duration of the courses. Endowment contributions are recognized as direct increases in net assets in the period in which they are received. Contributions restricted for the acquisition of non-consumable capital assets are deferred and recognized as direct increases in net assets in the period in which they are expended.

(b) Investments

Investments are valued at the lower of amortized cost and market value.

(c) Inventory of Course Materials

Inventory of course materials is valued at the lower of cost and net realizable value.

(d) Copyrights

It is the policy of the University to obtain a copyright on all course material produced. These copyrights are recorded at a nominal value of $1 and included in prepaid expenses.

(e) Deferred Course Development Costs

Costs related to the development of special purpose courses are deferred and amortized over the duration of the courses. Costs related to the development of special purpose courses through Curriculum Redevelopment Funding are deferred and amortized over periods not exceeding five years.

(f) Capital Assets

Capital assets acquisitions are recorded at cost, except for donated assets which are recorded at fair value.

Capital assets are amortized on a straight-line basis over the assets' estimated useful lives as follows:

	Years
Buildings and site improvements	40 - 60
Furnishings, equipment and software	3 - 10
Library materials	10

(g) Pension Liability and Expense

The University and its eligible employees participate in either the Universities Academic Pension Plan or the Public Service Pension Plan. The University's pension liability is its portion of the pension plans' total unfunded pension liabilities, including deferred adjustments arising from experience gains and losses and changes in actuarial assumptions identified by new actuarial valuations.

The portions are based upon the ratio of pensionable earnings of the University's employees to the earnings of all employees in each of the pension plans. The ratio is adjusted annually based upon the previous year's pensionable earnings of all employees in the plans.

Pension expense comprises the cost of pension benefits earned by employees during the year, interest on the University's share of the unfunded pension liability, the amortization of deferred adjustments over the expected average remaining service life of employees which relate to the long term; adjustments to the pension obligations recognized immediately if there is reasonable assurance that a gain or loss has been realized; and the effect of the change in the ratio used to allocate the plan's total unfunded liability to participating entities. The net expense or recovery is included as part of the salaries and benefits expense.

Note 3 Accounts Receivable

Accounts receivable includes $288 (1997 - $1,304) in grants due from the Province of Alberta.

Note 4 Restricted Investments

Restricted investments represent funds related to endowments and amounts internally restricted by the Governing Council.

Restricted investments held at March 31, 1998 mature within 90 days of issuance.

Note 5 Deferred Course Development Costs

	1998			1997
	Special Purpose Courses	Special Purpose Courses-Curriculum Redevelopment Funding	Total	Total
Balance at beginning of year	$ 132	-	$ 132	$ 208
Costs incurred during the year	-	1,342	1,342	11
	132	1,342	$ 1,474	219
Less: Amount amortized during the year	(94)	(47)	(141)	(87)
Balance at end of year	$ 38	$ 1,295	$ 1,333	$ 132

Note 6 Capital Assets and Investment in Capital Assets

	1998			1997
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 1,392	-	$ 1,392	$ 1,392
Buildings and site improvements	21,925	8,962	12,963	13,346
Furnishings, equipment and software	14,482	10,814	3,668	3,402
Library materials	4,157	3,213	944	943
	$ 41,956	$ 22,989	18,967	19,083
Deferred capital contributions related to capital assets (Note 9)			(13,139)	(13,718)
Investment in capital assets			$ 5,828	$ 5,365

Note 7 Deferred Revenue

	1998	1997
Course and seminar fees received in advance	$3,405	$2,627
Unexpended project and research funds	141	165
Province of Alberta grants	261	1,189
	$3,807	$3,981

The Province of Alberta grants relate to programs to be developed in the fiscal 1999 year.

Note 8 Pension Liability

The University participates with other employers in two defined benefit pension plans, the Universities Academic Pension Plan and the Public Service Pension Plan. The University's share of the net unfunded past service liability of the Universities Academic Pension Plan, based on an actuarial valuation performed as at December 31, 1996 and extrapolated to March 31, 1998, is to be fully funded on or before December 31, 2043 through contributions by the University. The University's share of the net unfunded past service liability of the Public Service Pension Plan, based on an actuarial valuation performed as at December 31, 1995 and extrapolated to March 31, 1998, is to be fully funded on or before December 31, 2036 through contributions by the University. Current service obligations of both plans are to be fully funded by participating employees and the University. Contributions to fund both current and past service costs are determined by periodic actuarial valuations.

The actuarial valuations were determined using the projected benefit method prorated on service. Assumptions used in the valuation are based on the respective Pension Board's best estimate of future events. The plans' future experience will inevitably differ, perhaps significantly, from the assumptions. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations. Gains and losses that relate to the long term are amortized over the expected average remaining service life of the employee group. Gains and losses for which there is reasonable assurance regarding their management and realization are recognized immediately.

The University's unfunded pension liability at March 31, 1998 is as follows:

	1998	1997
Universities Academic Pension Plan	$ 838	$1,787
Public Service Pension Plan	144	193
	$ 982	$1,980

Note 9 Deferred Capital and Deferred Course Development Contributions

	1998			1997
	Capital Assets	Deferred Course Development	Total	Total
Balance at beginning of year	$ 13,718	-	$ 13,718	$ 14,314
Additions	-	1,342	1,342	-
	13,718	1,342	15,060	14,314
Amortized to revenue	(579)	(47)	(626)	(596)
Balance at end of year	$ 13,139	$ 1,295	$ 14,434	$ 13,718

Note 10 Endowments

Endowments consist of restricted donations to the University, the principal of which is required to be maintained intact. There are no externally imposed restrictions over the use of the investment income generated from endowments and accordingly, all investment income earned is recognized as revenue in the Statement of Operations.

Note 11 Internally Restricted Net Assets

The Governing Council has designated internally restricted net assets for future operating and capital needs.

Note 12 Budget

The budget amounts disclosed are part of the annual plan that was approved by the Governing Council on February 28, 1997. Amounts for donations, other revenue and scholarships were not included as part of the approved budget. As a result of additional funds that became available during the fiscal year, the Governing Council approved the following changes to the annual plan:

Revenue:			
Province of Alberta grants	$ 14,084	$ 178	$14,262
Undergraduate student fees	6,634	465	7,099
Graduate student fees	2,995	380	3,375
Sales of goods and services	1,588	-	1,588
Amortization of deferred capital contributions	800	-	800
Interest	515	-	515
	26,616	1,023	27,639
Expense:			
Salaries and benefits	16,679	1,037	17,716
Fees and purchased services	3,126	-	3,126
Materials and supplies	2,047	-	2,047
Communications and travel	2,081	-	2,081
Amortization of capital assets and deferred development costs	1,850	-	1,850
Insurance, utilities and taxes	284	-	284
Facilities rental	326	-	326
	26,393	1,037	27,430
Excess of revenue over expense (expense over revenue)	$ 223	$ (14)	$ 209

Note 13 Lease Commitments

The University is committed to operating leases for facilities with the following annual payments:

1999	$ 219
2000	$ 211
2001	$ 128
2002	$ 123
2003	$ 43

The University is also required to pay a pro rata share of operating expenditures of the facilities.

Note 14 Related Party Transactions

The University is a Provincial Corporation as all of the members of the Governing Council are appointed either by a Provincial Statute (the Universities Act) or by a combination of orders by the Lieutenant Governor in Council and the Minister of Advanced Education and Career Development. Transactions between the University and the Province of Alberta are disclosed in the Statement of Operations, and in Notes 3 and 7.

Athabasca University Foundation was established to receive gifts of real and personal property, and to provide grants, and real and personal property to the University to support and promote the educational and research activities of the University. The Foundation is exempt from the payment of income taxes and its operations are not reflected in the University's financial statements.

In fiscal 1998, the Foundation dispersed its remaining assets to the University and subsequent to year end the Minister of Advanced Education and Career Development requested the Foundation be wound up.

Note 15 Uncertainty Due to the Year 2000

The year 2000 issue is the result of some computer programs being written using two digits rather than four to define the applicable year. University computer programs that have date sensitive software may recognize a date using "00"as the year 1900 rather than the year 2000, which could result in miscalculations or system failures. In addition, similar problems may arise in some systems if certain dates in 1999 are not recognized as a valid date or are recognized to represent something other than a date. The effects of the year 2000 issue may be experienced before, on, or after January 1, 2000. If not addressed, the effect on operations and financial reporting may range from minor errors to significant systems failure that could affect the ability to conduct some University operations.

The University is currently working to resolve the potential effect of the year 2000 on the processing of date sensitive information by the University's computerized information systems in a timely manner. The costs of addressing potential problems by modifying, replacing or retiring significant portions of computerized information systems are not expected to have a material adverse effect on the University's financial condition. Despite the University's efforts to address this issue, it is not possible to be certain that all aspects of the year 2000 problem affecting the University, including those related to the efforts of customers, suppliers and other third parties, will be fully resolved.

Note 16 Comparative Figures

Certain 1997 comparative figures have been reclassified to conform to 1998 presentation.

Note 17 Salary Disclosure

A Treasury Board directive under the Financial Administration Act of the Province of Alberta requires the disclosure of salary and employee benefit information.

	1998				1997	
	Number of Individuals[4]	Salary[1]	Benefits and Allowances[2]	Total	Number of Individuals[4]	Total
		(thousands of dollars)				(thousands of dollars)
Governing Council						
Chairman of Governing council	1	$ -	$ -	$ -	1	$ -
Governing Council members	13	-	-	-	13	-
	14	-	-	-	14	-
Executive Officers						
President	1	134	20	154	1	148
Vice-Presidents:						
Academic	1	104	15	119	1	115
Finance	1	104	19	123	1	118
Student Services	1	90	16	106	1	100
Executive Director of University Development and Promotion	1	93	25	118	1	104
	5	525	95	620	5	585
Managers (average 1998 $85, 1997 $79)	7	497	97	594	6	473
Instructional and Research						
Academics (average 1998 $54, 1997 $52)	96	4,052	1,098	5,150	87	4,510
Tutors and Academic Coaches (average 1998 $13, 1997 $12)	173	2,153	166	2,319	171	2,003
	269	6,205	1,264	7,469	258	6,513
Service and Administrative						
Professionals (average 1998 $48, 1997 $44)	81	3,016	841	3,857	69	3,047
Support (average 1998 $30, 1997 $29)	152	3,796	788	4,584	140	4,080
Support casual	36	528	35	563	40	414
	269	7,340	1,664	9,004	249	7,541
	564	$ 14,567	$ 3,120	17,687	532	15,112
Increase (decrease) in staff benefit liabilities				(1,356)		(1,295)
Increase in administrative & flex leave accruals						
President				27		25
Vice Presidents:						
Academic				16		9
Finance				23		18
Student Services				14		9
Executive Director of University Development & Promotion				18		10
Managers/Academics				163		137
Severance payments				61		108
				$ 16,653		$ 14,133

(1) Salary includes regular base pay, bonuses, overtime, lump sum payments, honoraria, and any other direct cash remuneration.

(2) The employer's share of all employee benefits and contributions includes payments made on behalf of employees for vacation payouts, pension, health care, dental, vision, group life insurance, accidental death and dismemberment insurance, long and short-term disability plans, professional memberships, tuition, supplemental unemployment benefits, research and study leaves, professional development allowances (excluding approved travel related costs) and travel insurance. The accrual of administrative leave for Executive Officers and Academic Managers, and the accrual of flexible plan benefits for Managers and Excluded Professional staff have been included as a reconciling item.

(3) All non-governance staff have been grouped into categories of Managers, Instructional and Research or Service and Administrative.

(4) The number of individuals represents a head count of staff members.

UNIVERSITY OF ALBERTA
FINANCIAL STATEMENTS
MARCH 31, 1998

AUDITOR'S REPORT

To the Board of Governors
of The University of Alberta

I have audited the statement of financial position of The University of Alberta as at March 31, 1998 and the statements of revenue and expense, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the University's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the University as at March 31, 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Original signed by
Peter Valentine, FCA
Auditor General

Edmonton, Alberta
June 5, 1998

UNIVERSITY OF ALBERTA
STATEMENT OF FINANCIAL POSITION
AT MARCH 31, 1998
(in thousands of dollars)

	1998	1997
Assets		
Current		
Cash and short-term investments	$ 113,886	$ 84,777
Accounts receivable and accrued interest	31,164	36,762
Other assets	7,008	8,198
	152,058	129,737
Investments (Note 3)	274,896	238,423
Capital assets and collections (Note 6)	598,918	585,781
	$ 1,025,872	$ 953,941
Liabilities and deferred capital contributions		
Current Liabilities		
Accounts payable and accruals	$ 32,398	$ 30,924
Current portion of staff benefit liabilities (Note 7)	32,722	33,592
Current portion of long-term debt (Note 8)	1,341	1,123
Deferred contributions (Note 9)	95,471	62,948
Deferred revenue	4,615	4,494
	166,547	133,081
Long-term Liabilities		
Staff benefit liabilities (Note 7)	49,121	73,014
Long-term debt (Note 8)	23,049	27,372
	72,170	100,386
Deferred Capital Contributions (Note 9)	354,773	364,626
	593,490	598,093
Net assets		
Endowments (Note 10)	261,338	231,490
Other	171,044	124,358
	432,382	355,848
	$ 1,025,872	$ 953,941

The accompanying notes are part of these financial statements.

UNIVERSITY OF ALBERTA
STATEMENT OF REVENUE AND EXPENSE
FOR THE YEAR ENDED MARCH 31, 1998
(in thousands of dollars)

	1998	1997
Revenue		
Provincial government	$ 259,626	$ 249,728
Other government sources	62,931	66,701
Credit course tuition and related fees	92,230	84,477
Grants	27,823	21,903
Donations (Note 5)	9,725	7,991
Investment income (Note 4)	22,146	16,528
Royalty income	4,310	4,662
Sales of goods and services	82,827	76,541
	561,618	528,531
Amortization of deferred capital contributions (Note 9)	27,750	30,594
	589,368	559,125
Expense		
Salaries (Note 13)	308,817	301,390
Staff benefits (Note 13)	34,408	47,096
Supplies and sundries	90,387	77,292
Maintenance and utilities	34,470	34,680
Scholarships	18,535	14,365
Interest	3,511	3,215
Capital assets amortization	48,148	49,951
	538,276	527,989
Excess of revenue over expense before pension valuation adjustment	51,092	31,136
Pension valuation adjustment (Note 7)	-	21,187
Excess of revenue over expense	$ 51,092	$ 52,323

The accompanying notes are part of these financial statements.

UNIVERSITY OF ALBERTA
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDING MARCH 31, 1998
(in thousands of dollars)

	Endowments			Other		
	Externally Restricted	Internally Restricted	Total	Capital Assets and Collections (Note 11)	Unrestricted Net Assets Deficiency	Total
Net assets, March 31, 1996	$ 183,106	$ 30,270	$ 213,376	$ 172,744	$ (100,080)	$ 72,664
Gifts of endowment principal (Note 5)	7,597	-	7,597	-	-	-
Capitalization of allocated income	2,598	-	2,598	-	-	-
Direct capitalization of income	6,847	1,072	7,919	-	(1,072)	(1,072)
Non-amortizable acquisitions	-	-	-	443	-	443
Capital acquisitions	-	-	-	37,471	(37,471)	-
Net book value of asset disposals	-	-	-	(5,946)	5,946	-
Amortization	-	-	-	(17,635)	17,635	-
Mortgage or loan repayments	-	-	-	1,499	(1,499)	-
Excess of revenue over expense	-	-	-	-	52,323	52,323
Net assets, March 31, 1997	$ 200,148	$ 31,342	$ 231,490	$ 188,576	$ (64,218)	$ 124,358
Gifts of endowment principal (Note 5)	12,609	3,001	15,610	-	(3,001)	(3,001)
Capitalization of allocated income	1,466	87	1,553	-	(87)	(87)
Direct capitalization of income	10,839	1,846	12,685	-	(1,846)	(1,846)
Non-amortizable acquisitions	-	-	-	528	-	528
Capital acquisitions	-	-	-	43,507	(43,507)	-
Net book value of asset disposals	-	-	-	(2,029)	2,029	-
Amortization	-	-	-	(19,016)	19,016	-
Mortgage or loan repayments	-	-	-	4,173	(4,173)	-
Excess of revenue over expense	-	-	-	-	51,092	51,092
Net assets, March 31, 1998	$ 225,062	$ 36,276	$ 261,338	$ 215,739	$ (44,695)	$ 171,044

The accompanying notes are part of these financial statements.

UNIVERSITY OF ALBERTA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 1998
(in thousands of dollars)

	1998	1997
Cash provided from (used in) operating activities		
Excess of revenue over expense	$ 51,092	$ 52,323
Add (deduct) changes in non-cash items		
Capital assets amortization	48,148	49,951
Amortization of deferred capital contributions	(27,750)	(30,594)
Decrease in staff benefit liabilities	(24,763)	(39,953)
Net change in non-cash working capital	40,906	(182)
	87,633	31,545
Cash provided from (used in) investing activities		
Acquisition of capital assets and collections	(61,932)	(55,273)
Proceeds on disposal of capital assets and collections	647	4,224
Purchases of investments, net	(36,473)	(25,128)
	(97,758)	(76,177)
Cash provided from (used in) financing activities		
Contributions restricted to endowments	24,914	17,042
Long-term debt - repayments	(4,105)	(1,457)
Deferred capital contributions	17,897	17,359
Contributions restricted for non-amortizable capital assets and collections	528	443
	39,234	33,387
Increase (decrease) in cash and short-term investments	29,109	(11,245)
Cash and short-term investments, beginning of year	84,777	96,022
Cash and short-term investments, end of year	$ 113,886	$ 84,777

The accompanying notes are part of these financial statements.

UNIVERSITY OF ALBERTA
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 1998
(in thousands of dollars)

1. Authority and Purpose

The corporation "The Governors of The University of Alberta" operates under the authority of the Universities Act, Chapter U-5, Revised Statutes of Alberta, 1980. The mission of the University includes post secondary and graduate education, research and public service. The University is a registered charity, and is exempt from income tax under Section 149 of the Income Tax Act.

2. Summary of Significant Accounting Policies and Reporting Practices

a. General

These financial statements have been prepared by administration in accordance with generally accepted accounting principles in Canada. Because the precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates and approximations which have been made using careful judgement. Actual results could differ from these estimates. The financial statements have, in administration's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

b. Interest in Joint Venture

These financial statements include the University's 25% interest in TRIUMF using the proportionate consolidation method. TRIUMF is a joint venture amongst the University and three other universities which was established to operate a facility for research in sub-atomic physics.

c. Investments

Investments are recorded at cost or amortized cost where applicable. Gains or losses on sales of investments are recognized in the year of disposal or when there is other than temporary impairment in the value of an investment.

d. Capital Assets and Collections

All capital assets and collection items are recorded at cost as acquired. Gifts of capital assets and collection items in kind are capitalized at fair market value, as determined by expert appraisal. Capital assets amortization is recorded on a straight line basis over the assets' estimated useful lives, which range from 10 to 40 years for buildings and utilities, from 3 to 25 years for equipment and furnishings and 10 years for that portion of library materials which are not part of the University's permanent collections.

Leases that are effectively purchases are capitalized at the present value of the remaining lease payments, discounted at the rate implicit in the lease, and shown as long-term debt. Lease agreements where substantially all the benefits and risks do not accrue to the University are treated as operating leases and lease payments are expensed when made.

Collections are not amortized and include: that portion of library assets considered to have permanent value, museum specimens, archival materials, maps, and works of art.

e. Recognition of Contributions

The University recognizes restricted contributions in accordance with the deferral method, as follows:

Contributions restricted for purposes other than endowment or the acquisition of capital assets are deferred and recognized as revenue in the year in which the related expenses are incurred. Contributions restricted to the acquisition of capital assets having limited life are initially recorded as deferred contributions in the period in which they are received and, when expended, are deferred and amortized to revenue over the useful lives of the related assets.

Endowment contributions are recognized as direct increases in Net Assets in the period in which they are received. Contributions restricted to the acquisition of non-consumable capital assets are initially deferred and are recognized as direct increases in Net Assets in the period in which they are expended.

Unrestricted contributions are recognized when receivable. Pledges are recorded when collected.

f. Recognition of Revenue

Revenues received for the provision by the University of goods and services are recognized in the period in which the goods are provided or the services rendered or substantially rendered.

g. Pension Costs

The University and its eligible employees participate in either the Universities Academic Pension Plan or the Public Service Pension Plan. Pension costs are disclosed as part of staff benefits and the pension valuation adjustment. These costs comprise: the cost of pension benefits earned by employees during the year; interest on the University's share of the unfunded pension liability, the amortization of deferred adjustments over the expected average remaining service life of employees which relate to the long term; adjustments to the pension obligation recognized immediately if there is reasonable assurance that a gain or loss has been realized; and the effect of the change in the ratio used to allocate the plan's total unfunded liability to participating entities.

h. Contributed Services

Volunteers as well as members of the staff of the University contribute an indeterminable number of hours per year to assist the institution in carrying out its service delivery activities. Such contributed services are not recognized in the financial statements.

i. Fair Value of Financial Instruments

The carrying values of financial assets and financial liabilities are considered to approximate fair value unless otherwise disclosed.

3. Investments

	1998				1997	
	Endowment	Other	Cost	Market	Cost	Market
Money market investments	$ 44,982	$ -	$ 44,982	$ 44,982	$ 25,640	$ 25,640
Marketable securities						
Government bonds	42,187	13,803	55,990	62,754	49,836	54,305
Corporate debentures	20,079	1,833	21,912	24,908	23,805	26,142
Bond funds	46,296	2,202	48,498	49,011	29,695	28,743
Common shares	91,333	703	92,036	254,888	96,717	187,165
	199,895	18,541	218,436	391,561	200,053	296,355
Other (not publicly traded)						
Mortgages	6,068	-	6,068	6,041	6,236	6,375
Real estate	5,410	-	5,410	5,410	5,410	5,900
Private placements	-	-	-	-	1,084	1,084
	11,478	-	11,478	11,451	12,730	13,359
Total cost	$ 256,355	$ 18,541	$ 274,896	$ 447,994	$ 238,423	$ 335,354
Total market value	$ 428,883	$ 19,111	$ 447,994			

	1998						1997
	Term To Maturity (in years)				No Fixed		
	Under 1	1 to 5	5 to 10	Over 10	Maturity	Total	Total
Money market investments	$ 44,982	$ -	$ -	$ -	$ -	$ 44,982	$ 25,640
effective yield	4.87%	-	-	-	-	4.87%	3.27%
Marketable securities							
Government bonds	3,547	23,271	25,523	3,649	-	55,990	49,836
effective yield	8.48%	7.64%	8.03%	7.24%	-	7.83%	8.31%
Corporate debentures	1,601	9,603	8,265	2,443	-	21,912	23,805
effective yield	10.26%	8.54%	8.97%	8.46%	-	8.82%	8.76%
Bond funds	-	-	-	-	48,498	48,498	29,695
Common shares	-	-	-	-	92,036	92,036	96,717
Other (not publicly traded)							
Mortgages	3,855	419	1,794	-	-	6,068	6,236
effective yield	8.45%	8.40%	5.35%	-	-	7.53%	8.50%
Real estate	-	-	-	-	5,410	5,410	5,410
Private placements	-	-	-	-	-	-	1,084
Total	$ 53,985	$ 33,293	$ 35,582	$ 6,092	$ 145,944	$ 274,896	$ 238,423

4. Investment Income

	1998	1997
Income on investments held for endowment		
Externally restricted	$ 26,108	$ 19,185
Internally restricted	4,879	3,968
	30,987	23,153
Income on other investments	5,426	4,818
Total investment income earned in period	36,413	27,971
Amounts deferred in period	(1,962)	(1,998)
Income capitalized to endowment principal	(12,305)	(9,445)
Total investment income recognized as revenue	$ 22,146	$ 16,528

5. Donations

	1998	1997
Donations included in Statement of Revenue and Expense	$ 9,725	$ 7,991
Gifts of externally restricted endowment principal	12,609	7,597
Total Donations	$ 22,334	$ 15,588

6. Capital Assets and Collections

	1998 Cost	1998 Accumulated Amortization	1998 Net book value	1997 Cost	1997 Accumulated Amortization	1997 Net book value
Buildings and utilities	$ 776,793	$ 387,282	$ 389,511	$ 758,147	$ 368,454	$ 389,693
Equipment and furnishings	379,895	273,487	106,408	368,208	268,909	99,299
Library materials	65,413	47,745	17,668	60,479	44,186	16,293
Capital assets with limited life	1,222,101	708,514	513,587	1,186,834	681,549	505,285
Land	5,221	-	5,221	5,221	-	5,221
Capital assets	1,227,322	$708,514	518,808	1,192,055	$681,549	510,506
Collections - Library	63,597		63,597	59,026		59,026
- Other	16,513		16,513	16,249		16,249
Collections	80,110		80,110	75,275		75,275
Capital assets and collections	$ 1,307,432		$ 598,918	$ 1,267,330		$ 585,781

During the year the University entered into a non-monetary transaction in which it acquired a residential and commercial real estate complex for $40 million. The buildings were immediately sold to a third party for $40 million and the land was leased for nominal consideration for a period of up to 75 years. The sale agreement contains provision for a contingent payment to the University based on the performance of the commercial property. The amount of the contingent payment is not determinable at this time. The University's interest in the land has been recorded at a nominal amount in these financial statements.

7. Staff Benefit Liabilities

	Academic Staff	Support Staff	Total 1998	Total 1997
Salary settlement	$ -	$ 1,829	$ 1,829	$ -
Pension plans	14,335	3,752	18,087	41,103
Vacation pay	11,414	11,436	22,850	23,359
Long-term disability leave plans	8,616	19,753	28,369	24,587
Retirement incentive programs	8,700	2,008	10,708	17,557
	43,065	38,778	81,843	106,606
Less current portion	16,207	16,515	32,722	33,592
	$ 26,858	$ 22,263	$ 49,121	$ 73,014

The total unfunded pension liability for each plan as at March 31, 1998 was determined by actuarial valuation as at December 31, 1995 for the Public Service Pension Plan and December 31, 1996 for the Universities Academic Pension Plan, both extrapolated to March 31, 1998.

The actuarial valuations were determined using the projected benefit method prorated on service. Assumptions used in the valuations are based on each Pension Board's best estimate of future events. Each Plan's future experience will inevitably vary, perhaps significantly, from the assumptions. Any difference between the actuarial assumptions and future experience will emerge as gains or losses in future valuations. Gains and losses which relate to the long term are amortized over the expected average remaining service life of the employee group. Gains and losses for which there is reasonable assurance regarding their measurement and realization are recognized in income immediately.

The University's share of the net unfunded past service liability of the Universities Academic Pension Plan is to be fully funded by December 31, 2043 through contributions by the University. Contributions are assessed at 0.875% (1997 - 1.0%) of pensionable earnings and amounted to $1,236 in the year (1997 $1,416). The University's share of the net unfunded past service liability of the Public Service Pension Plan is to be fully funded by December 31, 2036 through contributions by the University. Contributions are assessed at 0.3% of pensionable earnings and amounted to $265 in the year (1997 $270). Current service obligations of both plans are to be fully funded by participating employees and the University.

The pension valuation adjustment recognized in 1997, reflected the effect of restructuring on the pension obligation. The restructuring resulted in reduced plan membership, wage restraints and changes to the investment strategies of the pension plans.

8. Long-term Debt

	Maturity Date	Interest Rate %	Amount Outstanding 1998	Amount Outstanding 1997
Obligations under capital leases			$ 494	$ 12
Mortgages payable to CMHC:				
Lister Residences	07/01/14	5.125	2,017	2,094
Michener Park Phase I	04/01/18	5.875	3,274	3,358
MacKenzie Hall	11/01/18	6.250	1,697	1,737
Michener Park Phase II	10/31/97	7.500	-	3,520
Pembina Hall	06/01/11	10.375	361	373
Debentures payable, Province of Alberta:				
Housing Union Building	06/01/08	7.186	3,474	3,697
South Field Car Park - AMFC	11/01/14	10.250	1,774	1,813
Extension Centre - AMFC	10/01/17	8.750	7,917	8,063
Extension Centre - AMFC	10/01/02	7.875	594	688
Loan payable, Bank of Montreal:				
East Campus Housing	08/01/08	7.340	2,333	2,476
Total long-term debt related to capital expenditures			23,935	27,831
Debentures payable, Province of Alberta:				
Students' Union Building (a)	11/30/99	5.500	455	664
			24,390	28,495
Less current portion			1,341	1,123
			$ 23,049	$ 27,372

a. The annual principal and interest payments are recovered from the Students' Union.

Anticipated requirements to meet the principal portion of long-term debt repayments over the next five years are as follows:

1999 - $1,341; 2000 - $1,422; 2001 - $1,157; 2002 - $1,142; 2003 - $1,224.

The estimated fair value for mortgages, debentures and loans payable as at March 31, 1998 is $26,404 (1997 $29,200).

9. Deferred Contributions and Deferred Capital Contributions

	Deferred Contributions				
	Unexpended				Expended
	Research	Capital	Other	Total	Capital
Contributions received	$ 129,354	$ 25,769	$ 32,816	$ 187,939	$ -
Expenses	(98,735)	(29)	(28,344)	(127,108)	-
Transfers from (to) unrestricted accounts and endowments	(14,740)	(68)	4,397	(10,411)	-
Capital acquisitions	(9,459)	(6,499)	(1,939)	(17,897)	17,897
Amortization - Deferred capital contributions	-	-	-	-	(27,750)
Increase (decrease) for the year	6,420	19,173	6,930	32,523	(9,853)
Deferred balances, beginning of year	47,666	1,722	13,560	62,948	364,626
Deferred balances, end of year	$ 54,086	$ 20,895	$ 20,490	$ 95,471	$ 354,773

10. Endowments

	1998			1997		
	Externally Restricted	Internally Restricted	Total	Externally Restricted	Internally Restricted	Total
Cumulative contributions	$154,820	$ 26,054	$180,874	$140,745	$ 22,966	$163,711
Cumulative excess earnings	8,859	2,248	11,107	11,066	2,893	13,959
Cumulative realized capital gains	61,383	7,974	69,357	48,337	5,483	53,820
	$225,062	$ 36,276	$261,338	$200,148	$ 31,342	$231,490

Endowments consist of restricted donations to the University, the principal of which is required to be maintained intact in perpetuity and internal allocations by the Board of Governors. The investment income generated from endowments must be used in accordance with the various purposes established by the donors or the Board of Governors. Benefactors as well as University policy stipulate that the economic value of the endowments must be protected by limiting the amount of income that may be expended and reinvesting unexpended income.

11. Net Assets

Net assets invested in capital assets and collections represents the carrying amount of capital assets and collections acquired through the expenditure of unrestricted resources, less Deferred Capital Contributions and any related debt, including internal car park loans held by endowments in the amount of $4,983 (1997 - $5,328), net of deferred financing charges in the amount of $512 (1997 - $580).

12. Budget Comparison

Treasury Board Directive under the Financial Administration Act of the Province of Alberta requires Universities to disclose their annual approved budgets in their financial statements. The following is a comparison of the approved budget with actual revenues and expenses.

	Actual	Budget	Variance
Revenue:			
Government sources	$ 322,557	$ 322,209	$ 348
Tuition and other fees	92,230	89,382	2,848
Other revenue	146,831	137,807	9,024
	561,618	549,398	12,220
Amortization of deferred capital contributions	27,750	28,365	(615)
	589,368	577,763	11,605
Expense:			
Salaries	308,817	319,221	10,404
Staff benefits	34,408	53,603	19,195
Supplies and other	146,903	140,960	(5,943)
Capital assets amortization	48,148	46,523	(1,625)
	538,276	560,307	22,031
Excess of revenue over expense	$ 51,092	$ 17,456	$ 33,636

13. Salary Disclosure

A Treasury Board Directive under the Financial Administration Act of the Province of Alberta requires the disclosure of certain salary and employee benefit information.

	1998				1997	
	Number of Individuals	Salary	Benefits	Total	Number of Individuals	Total
President	1	$ 179	$ 32	$ 211	$ 1	$ 208
Vice-Presidents:						
- Academic	1	150	14	164	1	153
- Finance and Administration	1	150	14	164	1	161
- Research and External Affairs	1	150	14	164	1	163
Dean of Medicine	1	227	15	242	1	238
Academic Staff						
- Academic Continuing Appointments (average 1998 - $84,938, 1997 - $84,094)	1,620	115,341	22,259	137,600	1,638	137,745
- Other Academic Appointments (average 1998 - $31,803, 1997 - $30,847)	1,489	43,155	4,200	47,355	1,404	43,310
- Students and Graduate Assistants (average 1998 - $13,202, 1997 - $14,180)	1,787	22,465	1,128	23,593	1,692	23,992
Other Staff						
- Continuing Support and Professional Appointments (average 1998 - $43,606, 1997 - $43,351)	3,085	111,409	23,115	134,524	3,069	133,043
- Temporary and Casual		12,675	738	13,413		11,864
		305,901	51,529	357,430		350,877
Amounts capitalized to equipment		(976)	(159)	(1,135)		-
Decrease in pension plan liability		-	(23,016)	(23,016)		(29,405)
Pension plan valuation adjustment		-	-	-		21,187
Decrease in vacation pay liability		(427)	(82)	(509)		(609)
Increase in long-term disability liability		-	3,782	3,782		1,430
Early retirement and severance		-	1,216	1,216		(463)
Share of joint venture salary and benefit expense (Note 2b)		4,319	1,138	5,457		5,469
		$ 308,817	$ 34,408	$ 343,225		$ 348,486

The Chairman and members of the Board of Governors, the Chancellor and members of the Senate and external members of the Board's standing committees receive no remuneration for the services that they provide to the University.

Salary also includes vacation pay-outs: Academic $238 (1997 - $202), Support Staff $613 (1997 - $803).

Benefits for all employee groups include Employment Insurance, Canada Pension Plan and Workers Compensation Board premiums.

Benefits for all continuing staff include the above plus pension plan contributions, Alberta Health Care, group life insurance, supplementary health care, short and long term disability plans, dental plan, accidental disability and dismemberment, remission of tuition fees and professional expense allowance. Also included are the bridge benefit costs for retired employees under an early retirement incentive program. Unique benefit packages are associated with each employee group.

14. Contingent Liabilities and Commitments

The University is a defendant in a number of legal proceedings. Claims against the University in these proceedings, the total of which is substantial, have not been reflected in these financial statements. While the ultimate outcome of these proceedings cannot be predicted at this time, it is the opinion of administration and the University's legal counsel that the resolution of these claims will not have a material effect on the financial position of the University.

Academic staff members are entitled to a professional expense allowance for expenses related to teaching, research, professional or general University duties. At March 31, 1998, approximately $2,587 (1997 - $2,700) of such allowances are committed for expenses not yet incurred.

15. Related Party Transactions

The University of Alberta (1991) Foundation is an agent of Her Majesty the Queen in the right of the Province of Alberta and operates to receive gifts and donations and to provide funding to the University. During the year, the University received funding from the Foundation totalling $3,709 (1997 - $832). Subsequent to March 31, 1998 the Province requested the University to wind-up the Foundation. The University plans to disolve the Foundation after the current fund raising campaign is completed in the fiscal year 2001.

The University operates under the authority and status of the Province of Alberta. Transactions between the University and the Province of Alberta are disclosed in the Statement of Revenue and Expense.

16. Uncertainty Due to the Year 2000

The University is currently working to resolve the effect of potential computer system failure in the event the University's computer programs fail to properly recognize the Year 2000. The effect on operations and financial reporting may range from minor errors to significant systems failure that could affect the ability of the University to conduct its operations.

The University has embarked on an Administrative Systems Renewal Program at a cost of approximately $24.7 million to re-engineer processes and substantially enhance reporting in the areas of finance, human resources and student administration and records, as well as addressing the Year 2000 impact. A concurrent review process has also been initiated addressing mission critical systems that are not included in the Administrative Systems Renewal Program scope, but may have a Year 2000 impact.

Despite the University's efforts to address this issue, it is not possible to be certain that all aspects of the Year 2000 problem affecting the University, including those related to the efforts of customers, suppliers and other third parties will be fully resolved before the year 2000.

17. Comparative Figures

Certain 1997 figures have been reclassified to conform to 1998 financial statement presentation.

RESEARCH TECHNOLOGY MANAGEMENT INC.
FINANCIAL STATEMENTS
MARCH 31, 1998

AUDITOR'S REPORT

To the Shareholder of
Research Technology Management Inc.

I have audited the balance sheet of Research Technology Management Inc. as at March 31, 1998 and the statement of net expenses and deficit, and changes in financial position for the year then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Original signed by
Peter Valentine, FCA
Auditor General

Edmonton, Alberta
May 8, 1998

RESEARCH TECHNOLOGY MANAGEMENT INC.
BALANCE SHEET
AS AT MARCH 31, 1998

	1998
Assets	
Current assets	
Short-term investments [Note 3]	$ 114,000
Accounts receivable	155,419
Prepaid expenses	1,713
	271,132
Deferred costs	9,754
Capital assets [Note 4]	64,744
	$ 345,630
Liabilities and shareholder's equity	
Current liabilities	
Bank overdraft	4,823
Accounts payable and accrued liabilities	130,845
	135,668
Deferred tenant improvement allowance [Note 6]	21,405
	157,073
Commitments [Note 9]	
Shareholder's equity	
Share capital [Note 7]	550,001
Deficit	(361,444)
	188,557
	$ 345,630

See accompanying notes

RESEARCH TECHNOLOGY MANAGEMENT INC.
STATEMENT OF NET EXPENSES AND DEFICIT
YEAR ENDED MARCH 31, 1998

	1998
Expense	
Salaries and benefits	$ 155,295
Prototype development initiative payment	100,000
Professional fees	24,507
Office rent and parking	15,146
Amortization	12,940
Promotion	15,004
Office and administrative	9,880
Director's expense	6,670
Computer support	6,240
Training and recruiting	5,933
Travel	4,821
Telephone and fax	4,745
Insurance	1,133
Interest and bank charges	1,063
Memberships and professional dues	935
	364,312
Sundry income	
Interest	2,868
Net expenses	361,444
Deficit, beginning of year	-
Deficit, end of year	$ 361,444

See accompanying notes

RESEARCH TECHNOLOGY MANAGEMENT INC.
STATEMENT OF CHANGES IN FINANCIAL POSITION
YEAR ENDED MARCH 31, 1998

	1998
Operating Activities	
Net expenses	$ (361,444)
Non-cash items:	
Amortization	12,940
Amortization of deferred tenant improvement allowance [Note 6]	(3,778)
	(352,282)
Net change in non-cash working capital balances	(26,287)
	(378,569)
Investing activities	
Purchase of capital assets	(77,684)
Deferred costs	(9,754)
	(87,438)
Financing activities	
Issue of share capital	550,001
Tenant improvement allowance	25,183
	575,184
Net increase in cash during the year	109,177
Cash, beginning of year	-
Cash, end of year	$ 109,177

Cash consists of short-term investments less bank overdraft.

See accompanying notes

RESEARCH TECHNOLOGY MANAGEMENT INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1998

Note 1 Business operations

Research Technology Management Inc. (the "Company") was incorporated January 17, 1997 under the Business Corporations Act (Alberta) and commenced active business operations on April 1, 1997. The Company is a wholly-owned subsidiary of the University of Alberta established for the purpose of profitably commercializing technology that is developed at the University. The Company, working with researchers and the Industry Liaison Office at the University, works toward the commercialization of technologies by providing resources to the commercialization process in the form of professional business management and early seed money. The goal of the Company is to develop and spin-off self-sustaining operating entities in which the Company will have some ongoing equity participation.

Note 2 Accounting Policies

The financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada. The presentation of financial statements in conformity with such principles requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Capital assets

Capital assets are recorded at cost and are amortized over their estimated useful lives on the following basis:

Computer equipment	four years - straight-line
Computer software	two years - straight line
Office furniture	five years - straight-line
Office equipment	four years - straight-line
Leasehold improvements	Straight-line over term of lease

Deferred costs

Deferred costs include direct costs specifically identifiable to a particular technology or project the Company is assisting to develop and commercialize. Upon the successful formation of a spin-off entity to commercialize the technology, the deferred costs will form the Company's cost of its equity participation in the spin-off venture. To the extent such costs exceed management's best estimate of the value of its equity interest, the excess will be written-off.

Costs associated with technologies or projects the Company does not carry on with are written-off when the decision not to continue with the project is made.

Income taxes

Management and the Company's legal advisors believe the Company to be exempt from income taxes under section 149(1)(d) of the Income Tax Act.

Note 3 Short-Term Investments

Excess cash balances are temporarily invested in highly liquid instruments. The carrying cost of short-term investments approximates their fair value.

Note 4 Capital Assets

	1998		
	Cost		Accumulated Amortization
Computer equipment	$ 26,726		$ 5,000
Computer software	1,574		600
Office furniture	18,848		2,830
Office equipment	1,907		360
Leasehold improvements	28,629		4,150
	77,684		12,940
Net book value		$ 64,744	

Note 5 Demand Operating Loan

The Company has secured a revolving demand operating loan with its bank for a maximum amount of $100,000 at any one time. The loan bears interest at bank prime plus 1.5%. No amounts were drawn on the facility as at March 31, 1998.

Note 6 Deferred Tenant Improvement Allowance

The Company received a tenant improvement allowance of $25,183 from a landlord for improvements to its leased office facilities. The allowance has been deferred and is being amortized over the five year lease term. The amortization is netted against rent expense.

Note 7 Share Capital

	1998
Authorized	
Unlimited number of voting common shares	
Issued	
2 common shares	550,001

During the year, the Company issued two common shares to the University of Alberta for consideration of $550,001.

Note 8 Financial Instruments

Financial instruments consist of short-term investments, accounts receivable, bank overdraft, and accounts payable and accrued liabilities. Fair values of the financial instruments approximate their carrying value due to the short-term nature of these instruments.

Note 9 Commitments

(a) Office Premises

The Company is committed to the following minimum lease payments (including estimated operating costs) on business premises under a lease expiring June 30, 2002:

Fiscal Year Ended	
1999	$ 21,945
2000	22,466
2001	24,093
2002	25,028
2003	6,408
	$ 99,940

(b) Technology Development Agreement with the University of Alberta

The Company is committed to payments to the Industry Liaison Office ("ILO") of the University of Alberta in the amount of $100,000 per year until March 31, 2002 under the terms of a Technology Development Agreement with the University in consideration for the ongoing activities of ILO for the benefit of the Company as contemplated by the agreement.

It is also contemplated under the agreement that the Company will be funded only from gifts, grants or contracts specifically designated for the purposes outlined in the agreement through a series of five annual investments by the University of Alberta to a maximum of $1,000,000 each.

In addition, under the agreement, the Company has available to it the ability to borrow from the University of Alberta, on an unsecured basis, $500,000 that would bear interest at 5% per annum and be repayable six months from the date of the initial advance. As at March 31, 1998, the Company has not exercised this loan option.

(c) Technology Development Projects

Under memoranda of understanding, the Company has committed to spending approximately $77,000 to develop technologies related to two separate projects

(d) Management Participation Plan

Under a management participation plan, the Company is committed to award management participation in the ownership of each technology acquired by the Company. The proportionate ownership awarded to management shall be determined by the Board of Directors to a maximum of 331/3% of the Company's interest in the technology. As at March 31, 1998, no awards to management have been made under this plan.

Note 10 Related Party Transactions

During the year, the Company was involved in the following transactions with the Company's parent, The University of Alberta:

Rent expense	$13,330
Prototype development initiative payment	$100,000
Telephone expenses	$3,534

Note 11 Budget Information

On July 9, 1997 the Board of Governors of the University of Alberta approved the following cash flow budget relating to the company's operating revenue, expense and acquisition of capital assets for fiscal 1998. Actual results for the year ended March 31, 1998 are presented in this note on a cash basis rather than on an accrual basis and do not include amortization, amortization of deferred tenant allowances or certain amounts netted against the investment in start-up technologies.

	Actual	Budget	Variance
Cash inflow			
Investments from the University of Alberta	$ 400,000	$ 1,000,000	$ (600,000)
Interest	2,868	35,000	(32,132)
	$ 402,868	$ 1,035,000	$ (632,132)
Cash outflow			
Salaries and benefits	$ 155,295	$ 175,000	$ (19,705)
Other operating expenses	71,458	185,000	(113,542)
	226,753	360,000	(133,247)
Investment in capital assets	51,436	50,000	1,436
Investment in start-up technologies	11,518	300,000	(288,482)
	$ 289,707	$ 710,000	$ (420,293)

Note 12 Uncertainty Due to the Year 2000

The year 2000 issue is the result of some computer programs being written using two digits rather than four to define the applicable year. Company computer programs that have date sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000, which could result in miscalculations or system failures. In addition, similar problems may arise in some systems if certain dates in 1999 are not recognized as a valid date or are recognized to represent something other than a date. The effects of the year 2000 issue may be experienced before, on, or after January 1, 2000. If not addressed, the effect on operations and financial reporting may range from minor errors to significant systems failure that could affect the ability to conduct some Company operations.

The Company is currently working to resolve the potential effect of the year 2000 on the processing of date sensitive information by the Company's computerized information systems in a timely manner. The costs of addressing potential problems by modifying, replacing or retiring significant portions of computerized information systems are not expected to have a material adverse effect on the Company's financial condition. Despite the Company's efforts to address this issue, it is not possible to be certain that all aspects of the year 2000 issue affecting the Company, including those related to the efforts of customers, suppliers and other third parties, will be fully resolved.

Note 13 Approval of the Financial Statements

These financial statements were approved by management.

Schedule 1

RESEARCH TECHNOLOGY MANAGEMENT INC.
SCHEDULE OF PERSONNEL COSTS
MARCH 31, 1998

	1998			
	Number of individuals (1)	Salary and bonuses	Benefits and allowances(2)	Total
Chairman	1	$ -	$ -	$ -
Other directors	7	-	-	-
Senior employees				
President and CEO	1	65,000	4,054	69,054
Associates (average $58,138)	1.05	51,273	9,772	61,045
Other full-time administrative staff	1	22,074	1,578	23,652
Temporary		1,544	-	1,544
		$ 139,891	$ 15,404	$155,295

(1) Number of individuals is the weighted average during the year.

(2) Benefits and allowances includes the Company's share of all employee benefits including Canada Pension Plan, Employment Insurance, and health care.

THE UNIVERSITY OF CALGARY
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1998

AUDITOR'S REPORT

To the Board of Governors of
The University of Calgary

I have audited the consolidated statement of financial position of The University of Calgary as at March 31, 1998 and the consolidated statements of revenue and expense, changes in net assets, and changes in financial position for the year then ended. These consolidated financial statements are the responsibility of the University's management. My responsibility is to express an opinion on these consolidated financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the University as at March 31, 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Original signed by
Peter Valentine, FCA
Auditor General

Edmonton, Alberta
June 2, 1998

THE UNIVERSITY OF CALGARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1998
(thousands of dollars)

ASSETS

	1998	1997
Current assets		
Cash and cash equivalents (note 3)	$ 97,111	$ 59,863
Investments (note 3)	61,167	69,320
Accounts receivable	20,665	19,804
Merchandise inventories	3,846	3,517
Prepaid expenses	1,363	2,032
	184,152	154,536
Long term investments (note 3)	189,367	154,318
Capital assets and collections (note 4)	448,181	446,502
	$ 821,700	$ 755,356

LIABILITIES AND NET ASSETS

	1998	1997
Current liabilities		
Accounts payable	$ 35,743	$ 36,125
Unearned revenue	5,280	4,275
Current portion of long-term liabilities (note 5)	2,967	8,837
Deferred contributions (note 6)	96,482	83,856
	140,472	133,093
Long-term liabilities (note 5)	31,156	49,528
Unamortized deferred capital contributions (note 7)	358,511	369,283
Net assets		
Net investment in capital assets	74,702	61,241
Unrestricted net assets (deficit) (note 8)	28,084	(11,510)
	102,786	49,731
Restricted for endowment purposes (note 11)	188,775	153,721
	291,561	203,452
	$ 821,700	$ 755,356

THE UNIVERSITY OF CALGARY
CONSOLIDATED STATEMENT OF REVENUE AND EXPENSE
AS AT MARCH 31, 1998
(thousands of dollars)

	1998	1997
Revenue		
Government grants (schedule 1)	$ 190,642	$ 182,755
Credit tuition and related fees (schedule 2)	63,705	58,555
Non-credit tuition and related fees (schedule 2)	12,290	10,135
Sales of services and products	47,844	45,562
Donations and other grants	43,271	37,564
Investment income (note 12)	51,058	23,206
Amortization of earned capital contributions	25,690	23,926
	434,500	381,703
Expense		
Salaries (note 9)	197,841	194,035
Benefits (note 9)	12,288	24,696
Pension valuation adjustment	-	(14,541)
Materials, supplies and services	38,750	33,967
Amortization of capital assets	33,333	30,697
Cost of goods sold	19,384	19,525
Scholarships, grants and awards	15,781	12,604
Travel	10,459	10,047
Utilities	10,311	10,676
Maintenance and repairs	9,685	8,737
Communication and publications	5,827	4,684
Financing and insurance costs	4,071	5,563
	357,730	340,690
Excess of revenue over expense	76,770	41,013
Recapitalization of investment income to endowments	(23,715)	(6,533)
Net assets, at beginning of year	49,731	15,251
Net assets, at end of year	$ 102,786	$ 49,731

THE UNIVERSITY OF CALGARY
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 1998
(thousands of dollars)

	Net Investment in Capital Assets	Restricted for Endowment Purposes	Unrestricted Net Assets (Deficit)	1998 Total	1997 Total
Net assets, beginning of year	$ 61,241	$ 153,721	$ (11,510)	$ 203,452	$ 158,372
Excess (deficiency) of revenue over expense	(7,643)	-	84,413	76,770	41,013
Capital investment	20,094	-	(20,094)	-	-
Repayment of long-term debt	1,010	-	(1,010)	-	-
Investment income capitalized	-	23,715	(23,715)	-	-
Restricted investment income	-	1,498	-	1,498	607
Contributions	-	9,841	-	9,841	3,460
Net assets, end of year	$ 74,702	$ 188,775	$ 28,084	$ 291,561	$ 203,452

THE UNIVERSITY OF CALGARY
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
AS AT MARCH 31, 1998
(thousands of dollars)

	1998	1997
Cash provided from (used in):		
Operating activities		
Excess of revenue over expense	$ 76,770	$ 41,013
Items not affecting cash flow:		
Amortization of capital assets	33,333	30,697
Earned capital contributions	(25,690)	(23,926)
Decrease in unfunded pension obligations	(15,985)	(17,497)
Net change in non-cash working capital	20,881	(6,723)
	89,309	23,564
Investing activities		
Purchase of capital assets	(35,008)	(29,411)
Increase in long-term investments	(35,054)	(10,624)
Capital contributions expended	14,918	13,680
	(55,144)	(26,355)
Financing activities		
Endowment contributions	11,339	4,067
Decrease in long-term liabilities	(8,256)	(2,808)
	3,083	1,259
Increase (decrease) in cash and cash equivalents	37,248	(1,532)
Cash and cash equivalents, beginning of year	59,863	61,395
Cash and cash equivalents, end of year (note 3)	$ 97,111	$ 59,863

THE UNIVERSITY OF CALGARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1998
(thousands of dollars)

Note 1 Authority and Purpose

The University of Calgary ("the University") operates under the authority of The Universities Act, Chapter U-5, Revised Statutes of Alberta 1980, as amended. It is a Board-governed, comprehensive research university offering undergraduate and graduate degree programs as well as a full range of continuing education programs and activities. The University is a registered charity and is therefore exempt from the payment of income tax under Section 149 of the Income Tax Act. The tax exemption does not extend to its wholly-owned subsidiary, University Technologies International Inc.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

(a) Consolidated Statements

These financial statements include the accounts of two wholly-owned subsidiaries, University Technologies International Inc. (UTI) and Calgary Ambulatory Care Centre Limited (CACCL) and the controlled non-profit organization, The Arctic Institute of North America (AINA). UTI is incorporated under the Canada Business Corporations Act to facilitate transfer of intellectual property from the University to private business. CACCL was created to administer the financial operations of the University of Calgary Medical Clinic now known as The University of Calgary Medical Group. AINA operates under the authority of an Act of the Federal Parliament (9-10 George VI, Chapter 45) to initiate, to encourage, to support northern research and to advance the study of arctic conditions and problems.

(b) Revenue Recognition

Operating grants are recognized as revenue, either in the period received, or, where a portion of the grant relates to a future period, it is deferred and recognized in the subsequent period.

Capital grants are recorded as deferred contributions until the amount is invested in capital assets. Amounts invested representing funded capital assets are then transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are recognized as earned revenue in the periods in which the related amortization expense of the funded capital asset is recorded. The related portion of amortization expense and the deferred capital contributions revenue are matched to indicate that the related amortization expense has been funded.

Unrestricted cash donations are recognized as revenue when they are received. Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

Externally restricted non-capital contributions are deferred and are recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts can only be used for the purposes designated by external parties. Any externally restricted contributions containing stipulations that the amounts should be retained as net assets or that the contributions should not be expended are recorded as direct increases in net assets.

Amounts received for tuition fees and sales of services and products are classified as unearned and recognized as revenue at the time the products are delivered or the services are substantially provided.

(c) Investments

Investments are recorded at cost. Gains on sales of investments are recognized in the year of disposal. Losses are recognized in the year of disposal or when there is a significant and permanent impairment in the value.

Long-term investments are endowments held in perpetuity for specific purposes as designated by the donor and as included in the terms of reference for each individual endowment. Each year, 5% of the book value of the endowments is allocated for spending purposes as designated by the donor. Effective April 1, 1998 5% of the 4 – year rolling market average based on September 30 market values for the preceding four years will be allocated to spending. Investment income earned in excess of this amount is capitalized to the endowment principal.

Short-term investments are unspent operating, capital and restricted funds that are invested to generate income used to fund general operations of the University.

(d) Capital Assets and Collections

Capital assets and collections are recorded at cost as acquired. Gifts of capital assets and collections in kind are capitalized at fair market value. Amortization is recorded on a straight line basis over the capital assets' estimated useful lives, which are sixty years for buildings, twenty years for site improvements and utilities and an average of ten years for furnishings, equipment, library acquisitions and patents.

Collections are not amortized and include that portion of library assets considered to have permanent value and works of art which are held for education and public exhibition purposes. If sold, collections are removed from the accounts at their book value and any proceeds from their sale are used to acquire other items to be added to the collection.

(e) Merchandise Inventories

Merchandise inventories are valued at the lower of cost and net realizable value.

(f) Pension Costs

Pension costs are included in benefits and the pension valuation adjustment.

Pension costs are comprised of: the cost of pension benefits earned by employees during the year; interest on the University's share of the unfunded pension liability; the amortization of deferred adjustments over the expected average remaining service life of employees which relate to the long term; and the effect of the change in the ratio used to allocate the plans' total unfunded liability to participating entities.

The pension valuation adjustment is comprised of one-time or otherwise unusual gains or losses in the pension obligation as periodically determined by actuarial valuations.

Note 3 Cash, Cash Equivalents and Investments

Cash, cash equivalents and investments are summarized as follows:

	1998					1997	
	Cash & Cash Equivalents (1)	Current Investments (2)	Long Term (3)	Total Cost	Total Market	Total Cost	Total Market
Bonds	$ -	$ 61,167	$ 12,343	$ 73,510	$ 74,116	$ 140,532	$ 141,219
Bonds index	-	-	48,140	48,140	51,907	-	-
Money market investments	92,150	-	398	92,548	92,781	70,923	71,561
Canadian shares	-	-	2,138	2,138	3,148	36,509	52,264
TSE 300 index	-	-	52,221	52,221	60,142	-	-
Pooled funds - international	-	-	767	767	1,066	17,470	19,239
International index funds	-	-	36,390	36,390	38,366	-	-
U.S. shares	-	-	878	878	1,176	13,728	21,757
S & P 500 index	-	-	35,334	35,334	43,727	-	-
Bank balances	4,961	-	-	4,961	4,961	2,532	2,532
Pooled funds - Canadian small capitalization	-	-	165	165	396	1,210	1,853
Investment in subsidiaries	-	-	593	593	-	597	597
Total, 1998	$ 97,111	$ 61,167	$ 189,367	$ 347,645	$ 371,786	$ 283,501	$ 311,022
Total, 1997	$ 59,863	$ 69,320	$ 154,318	$ 283,501	$ 311,022		

The University of Calgary Investment Committee, a subcommittee of the Board of Governors, has the delegated authority for managing the University's investments. This committee is comprised of one member of the Board of Governors, four members from the community appointed by the Board of Governors, the Vice-President (Finance and Services) and management representatives. It meets on a quarterly basis during the year to review the performance of the investment managers to insure they are in compliance with the investment objectives and policies of the University. The Committee reports annually to the Board of Governors.

During the fiscal year 1997/98 the University of Calgary adopted a passive investment management structure whereby all three balanced fund managers were replaced by one indexed fund manager. The Investment Committee established the asset mix at 70% equity and 30% debt. Within the equity mix, the Investment Committee further set out acceptable ranges for investment within the various indexed funds (Canadian vs U.S. vs International). Active management was continued for the short-term money market portfolio, short-term bond portfolio and the Killam portfolio.

The University of Calgary Investment Committee uses time weighted rates of return in comparison to like funds to assess the performance of the investment managers. The University also reports the market values and time weighted rates of return at December 31 each year to the Canadian Association of University Business Officers (CAUBO) Endowment Survey. This survey compares and ranks the Endowment funds of Canadian Universities and is available to all Canadian Universities.

(1) Money market investments are purchased at a discount and are invested by an external investment manager or by the University of Calgary. These investments must be rated R-1 low or better. These funds had a rate of return for the year of 3.8% (1997 3.9%).

(2) Current investments include bonds that have a maximum allowable term of seven years and bear interest ranging from 4.9% to 10.6% (1997 4.9% to 11.3%). All bonds have a rating of a single "A" or better.

(3) Long-term investments are invested in a mix of indexed funds within ranges based on market values (1996-97, based on book values) as follows:

		Actual Mix	
Equity	Established Range	1998	1997
Canadian	27% - 33%	31%	25%
U.S.	17% - 23%	22%	9%
International	17% - 23%	20%	11%
Debt			
Canadian Bonds	27% - 33%	27%	55%

Note 4 Capital Assets and Collections

(a) Summary of Capital Assets

	1998			1997
	Cost	Accumulated Amortization	Net	Net
Land	$ 14,057	$ -	$ 14,057	$ 14,057
Buildings and plant	522,782	(165,719)	357,063	356,985
Furnishings and equipment	223,724	(171,935)	51,789	52,348
Library books	85,907	(68,397)	17,510	15,436
Rare books and archives collection	2,512	-	2,512	2,445
Art collection	4,758	-	4,758	4,612
Patents	830	(338)	492	619
	$ 854,570	$ (406,389)	$ 448,181	$ 446,502

(b) Donated Assets

Capital acquisitions during the year included donations-in-kind in the amount of $295 (1996-97 $849).

Note 5 Long-term Liabilities

	Rate of Interest (%)	Original Advance	Amount Outstanding 1998	1997
Debenture for Varsity Courts, due November 1, 2005	7 7/8	$ 3,714	$ 1,765	$ 1,929
Debenture for Car Park in MacEwan Student Centre, due October 1, 2006	9 3/4	1,900	1,276	1,363
Debentures for Art Building, due December 15, 2006	9 3/4 and 10	11,700	7,871	8,402
Debenture for Norquay, Brewster and Castle Halls, due January 15, 2007	9 3/4	3,953	2,655	2,835
Mortgage for the Dining Centre, Kananaskis and Rundle Halls, due March 1, 2016	5 1/8	2,165	1,401	1,449
			14,968	15,978
Early retirement incentive plans			6,790	14,037
Pension obligations (note 10)			12,365	28,350
			34,123	58,365
Current portion			(2,967)	(8,837)
			$ 31,156	$ 49,528

All debentures are secured by land. The mortgage is secured by land and is guaranteed by the Province of Alberta.

Principal payments on the mortgage and debentures during the next five fiscal years are as follows: 1999 $1,104; 2000 $1,207; 2001 $1,319; 2002 $1,442; 2003 $1,577. These liabilities are reviewed annually to determine if prepayment of principal is advantageous to the University. During 1998, it was determined that prepayment of these liabilities is not cost beneficial at this time.

During the year, interest on long-term debt amounting to $1,450 (1996-97 $1,535) has been charged to expense.

Debentures and mortgages are carried at their face value. Unfunded early retirement incentive plans and pension obligations are carried at their net present value. Since these unfunded liabilities will be paid from future operating income, the rate used to discount these liabilities is the blended rate of internally and externally managed short-term investments. The early retirement incentive plans are discounted at 5% (1996-97 6%).

Early retirement incentive plans are payable over various periods extending up to the year 2009. Payments to be made during the next five fiscal years are: 1999 $1,863; 2000 $1,587; 2001 $1,264; 2002 $981; 2003 $653.

Note 6 Deferred Contributions

Deferred contributions represent unspent funds received for special or restricted purposes. Changes in the deferred contribution balances are as follows:

	1998	1997
Balance, beginning of year	$ 83,856	$ 74,380
Contributions received	119,545	97,020
Transfers to:		
Revenue	(80,662)	(69,797)
Unamortized deferred capital contributions	(14,918)	(13,680)
Endowment		
Contributions received	(9,841)	(3,460)
Restricted investment income	(1,498)	(607)
Balance, end of year	$ 96,482	$ 83,856

Note 7 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the funded portion of capital assets which will be recognized as revenue in future periods. Changes in unamortized deferred capital contributions are as follows:

	1998	1997
Balance, beginning of year	$ 369,283	$ 379,529
Transfers:		
From deferred contributions	14,918	13,680
Amounts amortized to revenue	(25,690)	(23,926)
Balance, end of year	$ 358,511	$ 369,283

Note 8 Unrestricted Net Assets (Deficit)

Unrestricted net assets are allocated for specific spending purposes in accordance with the Carryover Policy set by the Board of Governors as follows:

	1998	1997
Faculties and departments:		
Operating budget surplus	$ 33,544	$ 27,919
Capital replacement	11,861	15,386
Overhead surplus	2,451	1,706
	47,856	45,011
General surplus (deficit)	7,555	(4,143)
Equity in subsidiaries	2,468	1,706
Unfunded pension and benefits deficit	(29,795)	(54,084)
	$ 28,084	$ (11,510)

Note 9 Salaries and Benefits

	1998					1997				
	No. (1)	Average Salary & Benefits	Salaries (2)	Benefits (3)	Total	No.	Average Salary & Benefits	Salaries	Benefits	Total
Governance (4)										
Chair of the Board of Governors	1	$ -	$ -	$ -	$ -	1	$ -	$ -	$ -	$ -
Members of the Board of Governors	16	-	-	-	-	16	-	-	-	-
President	1		197	16	213	1		182	19	201
Vice-Presidents										
Academic and Provost (5)	1		129	15	144	1		143	14	157
Finance and Services	1		141	17	158	1		138	15	153
Research	1		134	13	147	1		131	15	146
Associate Academic (Student Affairs)	1		94	15	109	1		91	13	104
Academic Staff										
Continuing	988	86	72,137	12,402	84,539	990	85	71,623	12,691	84,314
Non-continuing										
Sessional instructors	663	15	9,176	448	9,624	691	14	9,566	422	9,988
Graduate and other assistants	1,463	5	7,007	328	7,335	1,381	5	7,122	314	7,436
Service and Administrative Continuing Staff										
Support (AUPE)*	1,272	36	38,571	6,979	45,550	1,264	34	36,754	6,376	43,130
Support (exempt by position)	31	26	696	118	814	26	33	736	120	856
Professional and managers	327	57	15,922	2,715	18,637	320	56	15,201	2,661	17,862
Service and Administrative Non-continuing Staff										
Temporary and part time (AUPE)*	718	14	9,435	651	10,086	755	13	9,478	599	10,077
Student assistants (AUPE)*	693	4	2,782	192	2,974	680	3	1,844	117	1,961
	6,177		156,421	23,909	180,330	6,129		153,009	23,376	176,385
Project Staff (6)			41,291	4,151	45,442			38,884	4,118	43,002
Benefits/Retirement Programs										
Early retirement and severance			392	213	605			2,539	158	2,697
Pension obligations			-	(15,985)	(15,985)			-	(2,956)	(2,956)
Vacation			(263)	-	(263)			(397)	-	(397)
			$197,841	$ 12,288	$210,129			$194,035	$ 24,696	$218,731

* Alberta Union of Provincial Employees

(1) Staff Numbers

Staff numbers are for individuals as of December 1. Continuing staff includes permanent full-time appointments of the University. Non-continuing staff includes short-term (less than one year) appointments, part-time and casual employees of the University.

(2) Salaries

Salaries include honoraria, overtime, premiums, shift differential and all similar compensation amounts.

(3) Benefits

Benefits for all groups include Employment Insurance, Workers' Compensation and Canada Pension Plan.

Benefits for all continuing staff include the above, plus pension plan contributions, Alberta Health Care, life insurance, extended health care, long term disability, dental plan and professional expense allowance.

Benefits reported for the President do not include personal use of a University residence.

Benefits reported for the President and Vice-Presidents do not include personal use of University vehicles.

(4) Governance

The University is governed by the Board of Governors. Members are either appointed or serve in an ex officio capacity. They may be employed by the University, but do not receive remuneration for their participation on the Board.

(5) Vice President (Academic and Provost)

Two individuals held this position in the year ended March 31, 1998.

(6) Project Staff

Project staff include employees of the University's subsidiaries and the employees of principal investigators or other sponsored researchers.

(7) Recoveries

The University recovers salaries and benefits from outside agencies, primarily the Calgary Regional Health Authority. These recoveries have been netted with salaries, benefits and staff numbers.

Note 10 Pension Liability

The University participates with other employers in the Universities Academic Pension Plan and the Public Service Pension Plan. These plans are administered by the Alberta Pensions Administration Corporation and provide pensions for the University's employees based on years of service and earnings. The University had an unfunded pension liability for each plan as at March 31, which was estimated as follows:

	1998	1997
Universities Academic Pension Plan	$ 10,227	$ 25,501
Public Service Pension Plan	2,138	2,849
	$ 12,365	$ 28,350

The total 1998 unfunded pension liability for each plan was determined by actuarial valuation as at December 31, 1995 for the Public Service Pension Plan and December 31, 1996 for the Universities Academic Pension Plan, both extrapolated to March 31, 1998. The actuarial valuations were determined using the projected benefit method prorated on service. Assumptions used in the valuations are based on each Pension Board's best estimate of future events. Each plan's future experience will inevitably vary, perhaps significantly, from the assumptions. Any difference between the actuarial assumptions and future experience will emerge as gains or losses in future valuations. Gains and losses that relate to the long term are amortized over the expected average remaining service life of the employee group. Gains and losses for which there is reasonable assurance regarding their measurement and realization are recognized in income immediately.

The Public Sector Pension Plans Act specifies the basis to determine the amount of the total unfunded liability for each plan that will be funded by employers. The University's portion of those employers' liabilities was based on the University's percentage of the total pensionable payroll of all employers in each plan.

Note 11 Net Assets Restricted for Endowment Purposes

	1998	1997
Net assets restricted for endowment purposes		
Externally restricted	$ 114,628	$ 103,289
Internally restricted, recapitalized investment income	74,147	50,432
	$ 188,775	$ 153,721

Note 12 Investment Income

	1998	1997
Investment income on resources held for endowment	$ 25,456	$ 17,786
Capital gain on transition to new investment counsel	20,161	-
Investment income on non-endowed resources	6,739	5,952
Investment income on subsidiary's resources	200	75
Total investment income	52,556	23,813
Amounts credited directly to endowment principal	(1,498)	(607)
	$ 51,058	$ 23,206

Note 13 Pledges

Pledges to the University at March 31, 1998 were $4,726 (1997 $4,499). These pledges are expected to be honoured over the next several years and have not been recorded as receivable.

Note 14 Operating Budget

The Board of Governors approved the general operating budget and the sponsored research and other projects budget on April 25,1997. The general operating budget includes spending intentions equal to current period revenues and spending intentions of $2,700 from net assets. It is subject to reallocation by departments and faculties throughout the year and the final amended budget is presented for comparison to actual results.

	1998						1997	
	General Operating		Sponsored Research and Other Projects		Total		Total	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
Revenue								
Government grants	$ 151,390	$ 152,378	$ 38,011	$ 38,264	$ 189,401	$ 190,642	$ 176,336	$ 182,755
Tuition and related fees	62,372	63,705	-	-	62,372	63,705	57,209	58,555
Non-credit tuition & related fees	12,213	12,290	-	-	12,213	12,290	6,538	10,135
Sales of services and products	43,392	46,954	1,714	890	45,106	47,844	42,287	45,562
Donations and other grants	400	1,007	34,128	42,264	34,528	43,271	34,108	37,564
Investment income	2,970	6,739	17,376	44,319	20,346	51,058	23,010	23,206
Earned capital contributions	20,700	25,690	-	-	20,700	25,690	28,000	23,926
	293,437	308,763	91,229	125,737	384,666	434,500	367,488	381,703
Expense								
Salaries	169,186	156,420	41,240	41,421	210,426	197,841	206,916	194,035
Benefits	22,935	7,868	4,000	4,420	26,935	12,288	25,959	24,696
Pension valuation adjustment	-	-	-	-	-	-	-	(14,541)
Materials, supplies and services	18,994	19,277	20,271	19,473	39,265	38,750	31,226	33,967
Amortization of capital assets	29,600	33,152	200	181	29,800	33,333	32,148	30,697
Costs of goods sold	18,888	19,330	-	54	18,888	19,384	19,001	19,525
Scholarships, grants, and awards	2,428	1,780	8,100	14,001	10,528	15,781	10,629	12,604
Travel	2,594	3,431	7,300	7,028	9,894	10,459	9,382	10,047
Utilities	10,617	10,311	-	-	10,617	10,311	7,180	10,676
Maintenance and repairs	10,441	9,291	400	394	10,841	9,685	6,248	8,737
Communications and publications	3,422	4,719	1,600	1,108	5,022	5,827	5,649	4,684
Financing and insurance	4,549	3,464	-	607	4,549	4,071	2,767	5,563
Capital acquisitions	2,482	-	-	-	2,482	-	6,411	-
	296,136	269,043	83,111	88,687	379,247	357,730	363,516	340,690
Excess (deficiency) of revenue over expense	$ (2,699)	$ 39,720	$ 8,118	$ 37,050	$ 5,419	$ 76,770	$ 3,972	$ 41,013

Note 15 Contingent Liabilities

The University is a defendant in a number of legal proceedings. Claims against the University in these proceedings, the total of which is not substantial, have not been reflected in these financial statements. While the ultimate outcome of these proceedings cannot be predicted at this time, it is the opinion of the University and its legal counsel that the resolution of these claims will not have a material effect on the financial position of the University. Any loss or gain that may result from these proceedings will be accounted for in the period in which the settlement occurs.

Note 16 Related Party Transactions

(a) University of Calgary Foundation is an agent of Her Majesty the Queen in the right of the Province of Alberta and operates to receive gifts and donations and to provide grants to the University. During the year, the University received grants from the Foundation totalling $1,290 (1997 $601). At March 31, the University was holding $378 (1997 $776) on behalf of the Foundation. Subsequent to March 31, 1998 the Province requested the Foundation to wind-up its operations. The Foundation has agreed to do so and will be taking steps in 1998-99 to create a successor private foundation.

(b) The University operates under the authority and status of the Province of Alberta. Transactions between the University and the Province of Alberta are disclosed in Schedule 1 of the financial statements.

Note 17 Uncertainty Due to the Year 2000

The University is currently working to resolve the potential effect of computer system failure in the event the University's computer programs fail to properly recognize the year 2000 on or after January 1, 2000. The effect on operations and financial reporting may range from minor errors to significant systems failure that could affect the ability of the University to conduct its operations. The costs of addressing potential problems by modifying, replacing or retiring significant portions of computerized information systems are not expected to have a material adverse effect on the University's financial position. Despite the University's efforts to address this issue, it is not possible to be certain that all aspects of the year 2000 problem affecting the University, including those related to the efforts of customers, suppliers and other third parties, will be fully resolved.

Note 18 Comparative Figures

Certain 1997 figures have been reclassified to conform to the 1998 presentation.

Note 19 Approval of Financial Statements

The Audit Committee has reviewed these financial statements and recommended their approval to the University Board of Governors.

Schedule 1

THE UNIVERSITY OF CALGARY
CONSOLIDATED SCHEDULE OF GOVERNMENT GRANTS
FOR THE YEAR ENDED MARCH 31, 1998

	1998	1997
Province of Alberta Operating Grants		
Operating Grant		
Regular	$ 136,742,642	$ 136,742,642
Performance	3,418,567	-
Conditional Grants		
Access Funds		
Cycle I, Community Rehabilitation	421,902	491,622
Cycle II, Access 1000	2,630,819	3,174,493
Cycle III		
Environmental Studies	1,557,537	986,547
Software Engineering	225,000	225,000
English and Social Sciences	389,451	146,966
Envelope Funding		
Intellectual Infrastructure Partnership Program	2,927,300	-
Infrastructure Renewal		
Infrastructure	2,522,727	-
Equipment	1,536,040	2,113,517
Learning Enhancement	1,994,610	1,810,268
Research Excellence	1,353,164	813,815
Conditional Grants		
Calgary Conjoint Nursing Program	846,185	916,835
Curriculum Redevelopment	235,711	-
French Language Program	215,000	251,200
Excellence in Training of Gifted Children	150,000	215,000
Hokkaido Exchange Program	28,480	7,520
Key Performance Indicator Reporting	50,276	85,000
Adult Learning Information System	-	68,000
	157,245,411	148,048,425
Sponsored Research	43,823,608	44,122,666
Special Purpose and Endowment	6,335,126	8,046,949
Other Operating Grants	5,725,538	5,045,066
Deferrals (1)	(22,487,632)	(22,508,031)
	$ 190,642,051	$ 182,755,075

(1) This schedule lists grants provided to the University for planned spending for the fiscal year ended March 31st. Grant amounts for specific purposes that were not completed during the year have been deferred until the planned expenditures are incurred.

THE UNIVERSITY OF CALGARY
CONSOLIDATED SCHEDULE OF FEE REVENUE
FOR THE YEAR ENDED MARCH 31, 1998

	1998					1997
	SPRING	SUMMER	FALL	WINTER	TOTAL	TOTAL
Credit courses						
Tuition Fees						
General Studies	$ 859,013	$ 415,510	$ 8,862,475	$ 8,195,254	$ 18,332,252	$ 16,410,609
Social Science	446,765	236,374	3,101,150	3,032,302	6,816,591	6,262,848
Graduate Studies	523,024	495,933	2,298,192	2,259,054	5,576,203	4,876,037
Engineering	207,012	128,964	2,666,883	2,584,165	5,587,024	4,801,323
Science	228,183	123,118	2,340,424	2,195,885	4,887,610	4,377,536
Education	389,346	151,462	1,440,459	1,429,367	3,410,634	3,988,835
Management	218,895	97,247	1,666,308	1,433,797	3,416,247	3,074,740
Kinesiology	76,852	15,896	852,553	832,811	1,778,112	1,675,315
Humanities	105,789	61,039	787,786	811,819	1,766,433	1,596,659
Fine Arts	77,435	56,864	803,406	751,426	1,689,131	1,541,418
Nursing	43,663	23,843	506,486	458,535	1,032,527	1,388,254
Medicine	1,156	-	711,314	702,732	1,415,202	1,228,211
Non-degree	240,049	156,606	445,002	507,556	1,349,213	1,220,945
Social Work	63,355	14,624	524,737	406,410	1,009,126	970,841
Law	-	-	350,453	371,618	722,071	653,660
Environmental Design	1,365	1,047	331,502	299,376	633,290	574,732
	3,481,902	1,978,527	27,689,130	26,272,107	59,421,666	54,641,963
Other Sessional Fees						
Differential	182,667	134,700	690,958	645,785	1,654,110	1,509,008
Co-operative Education	35,712	35,328	29,568	48,384	148,992	156,896
Engineering Internship	42,930	42,771	60,102	54,256	200,059	123,830
Registration and Reinstatement	17,280	12,400	82,120	84,540	196,340	118,890
Forfeit and Withdrawal	8,888	5,507	18,250	5,473	38,118	58,590
	$ 3,769,379	$ 2,209,233	$ 28,570,128	$ 27,110,545	61,659,285	56,609,177
Special Fees						
Applications					1,046,078	979,787
Off-campus Programs (OTP)					571,259	599,873
Effective Writing Test					136,500	175,350
Transcripts					128,974	129,812
Supplementary Fees					99,293	52,708
Travel Study Programs					35,000	-
English for Academic Purposes					21,624	-
Mathematics Diagnostic Test					7,100	8,000
					63,705,113	58,554,707
Non-credit courses						
Tuition Fees						
Continuing Education					5,850,991	4,242,540
Kinesiology					5,073,787	4,731,620
Management					866,145	630,377
Medicine					499,501	530,328
					12,290,424	10,134,865
					$ 75,995,537	$ 68,689,572

UNIVERSITY TECHNOLOGIES INTERNATIONAL INC.
FINANCIAL STATEMENTS
MARCH 31, 1998

AUDITOR'S REPORT

To the Shareholder of
University Technologies International Inc.

I have audited the balance sheet of University Technologies International Inc. as at March 31, 1998 and the statements of earnings (loss) and deficit, and changes in financial position for the year then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Original signed by
Peter Valentin, FCA
Auditor General

Edmonton, Alberta
May 19, 1998

UNIVERSITY TECHNOLOGIES INTERNATIONAL INC.
BALANCE SHEET
AS AT MARCH 31, 1998

	1998	1997
ASSETS		
Current assets		
Cash and short-term investments (Note 3)	$ 1,292,065	$ 209,986
Accounts receivable	1,113,300	1,708,450
Investment tax credit receivable	70,126	26,126
Prepaid expense	3,346	2,795
	2,478,837	1,947,357
Investments (Note 4)	954,414	625,331
Capital assets (Note 5)	566,062	675,670
Deferred product development costs	32,079	29,680
	$ 4,031,392	$ 3,278,038
LIABILITIES		
Current liabilities		
Bank overdraft	$ -	$ 45,451
Demand bank loan (Note 6)	-	120,000
Accounts payable and accrued liabilities	1,059,747	1,056,383
Income taxes payable	19,969	26,000
Deferred product development revenue (Note 3)	422,004	232,011
Deferred gain on issuance of shares by SemBioSys (Note 4)	959,117	182,850
	2,460,837	1,662,695
Long-term accounts payable (Note 7)	6,636	7,580
	2,467,473	1,670,275
SHAREHOLDER'S EQUITY		
Shareholder's equity		
Capital stock (Note 8)	1	1
Contributed surplus (Note 8)	1,701,698	1,651,698
Deficit	(137,780)	(43,936)
Contingencies (Note 12)	1,563,919	1,607,763
Total	$ 4,031,392	$ 3,278,038

The accompanying notes and schedules are part of these financial statements.

UNIVERSITY TECHNOLOGIES INTERNATIONAL INC.
STATEMENT OF EARNINGS (LOSS) AND DEFICIT
FOR THE YEAR ENDED MARCH 31, 1998

	1998 Budget (Note 13)	1998 Actual	1997 Actual
Revenue			
Net licensing and royalty revenue (Schedule 1)	$ 722,027	$ 580,610	$ 701,666
Client contract revenue	156,400	153,929	140,013
Net product development revenue (Schedule 2)	184,184	212,111	205,309
Other	15,600	32,569	11,622
	1,078,211	979,219	1,058,610
Expense			
Personnel (Schedule 3)	734,328	609,139	665,877
Operating	333,618	326,404	225,586
Amortization	150,000	132,832	135,747
Writedown of patents	50,000	42,757	48,009
Interest	240	158	800
Other	155,370	52,290	230,324
	1,423,556	1,163,580	1,306,343
Expense reimbursements (Note 11)	(511,240)	(212,375)	(338,035)
	912,316	951,205	968,308
Earnings before the following	165,895	28,014	90,302
Share of earnings (loss) of Perigon	35,000	(127,123)	12,007
Provision for impairment in value in Perigon	-	(345,120)	-
Gain on sale of shares of SemBioSys	500,000	484,885	499,960
	535,000	12,642	511,967
Earnings before income taxes	$ 700,895	40,656	602,269
Provision for current income taxes		(134,500)	(81,000)
Net earnings (loss) for the year		(93,844)	521,269
Deficit at beginning of year		(43,936)	(565,205)
Deficit at end of year		$ (137,780)	$ (43,936)

UNIVERSITY TECHNOLOGIES INTERNATIONAL INC.
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1998

	1998	1997
Operating activities		
Cash from operations		
Net earnings (loss) for the year	$ (93,844)	$ 521,269
Charges (credits) to earnings (loss) not involving cash:		
Share of (earnings) loss of Perigon	127,123	(12,007)
Gain on sale of shares of SemBioSys	(484,885)	(499,960)
Amortization	132,832	135,747
Write down of patents	42,757	48,009
Provision for impairment in value in Perigon	345,120	-
	69,103	193,058
Net change in non-cash working capital balances related to operations		
Accounts receivable	595,150	(811,822)
Accounts payable and accrued liabilities	3,364	270,235
Income taxes payable	(6,031)	26,000
Deferred product development revenue	189,993	(4,816)
Investment tax credit receivable	(44,000)	25,901
Prepaid expense	(551)	(2,795)
	807,028	(304,239)
Investing activities		
Repayment of notes receivable	-	16,491
Purchases of additional interest in Perigon	(40,176)	(4,447)
Proceeds from sale of shares of SemBioSys	500,000	500,000
Decrease (increase) in other investments	2	(10,300)
Purchases of office equipment	(20,615)	(49,975)
Proceeds on disposal of office equipment	-	1,280
Increase in deferred product development costs	(9,249)	(3,084)
Patent costs	(421,228)	(432,375)
Patent cost recoveries	382,712	199,770
	391,446	217,360
Financing activities		
Additional capital contributed - The University of Calgary	50,000	50,000
Decrease in long-term accounts payable	(944)	(31,183)
	49,056	18,817
Increase (decrease) in cash and short-term investments for the year	1,247,530	(68,062)
Cash and short-term investments at beginning of year	44,535	112,597
Cash and short-term investments at end of year	$ 1,292,065	$ 44,535
Cash and short-term investments consist of the following:		
Cash and short-term investments	1,292,065	209,986
Bank overdraft	-	(45,451)
Demand bank loan	-	(120,000)
	$ 1,292,065	$ 44,535

Note 1 Operations

University Technologies International Inc. (the "Company") is a profit-oriented licensing, commercialization, and intellectual property management company which is wholly-owned by The University of Calgary.

Note 2 Significant Accounting Policies

Consolidation

The comparative financial statements were prepared on a consolidated basis and included the accounts of the Company and its former wholly-owned subsidiaries Calbiotronix Inc. and BRM Biotech Ltd. Both of these companies were dissolved during 1997.

Revenue Recognition

Licensing and royalty revenues are recognized as payments become due under licensing and royalty agreements. Royalties are payable based on product sales reported by licensees on a calendar year basis. As the Company has no licensee sales information subsequent to December 31, 1997, royalties are only recorded on sales reported prior to that date.

Product development revenues are deferred and recognized as related product development expenses are incurred.

Investments in Significantly Influenced Companies

The Company accounts for its investments in Perigon Solutions Inc. (formerly ACTC Technologies Inc.) ("Perigon") and SemBioSys Genetics Inc. ("SemBioSys"), companies over which the Company has significant influence, by the equity method. Under the equity method, the Company's investments are recorded initially at cost, increased by the net earnings of the investee corporation, decreased by net losses of the investee corporation, and decreased by dividends received from the investee corporation and adjustments required to recognize other changes in the Company's equity interest. Net earnings (losses) are recorded based on each investee corporation's most recent fiscal year end.

Capital Assets

Amortization is provided over the estimated useful lives of the assets on a straight-line basis as follows:

Office equipment	3 years
Software	2 years
Office furniture	10 years

Patents are recorded at cost and include acquisition and maintenance costs. Patent costs are amortized on a straight-line basis over periods up to 10 years. The carrying value of patents related to a project is limited to the estimated future net cash flows expected to be derived from the project. Patent costs in excess of estimated future net cash flows are written off.

Deferred Product Development Costs

Development costs which meet certain criteria for deferral are deferred and amortized over the expected lives of the product to which the costs relate. Deferred product development costs in excess of estimated future net cash flows are written off.

Investment Tax Credits

The Company is entitled to investment tax credits based on certain product development costs incurred. These credits are recognized as a credit against the related expenses when there is reasonable assurance of their recovery.

Note 3 Cash and Short-term Investments

Certain cash and short-term investment balances (1998 $422,004; 1997 $200,389) are not available to pay ordinary operating expenses of the Company, but are held to pay for research and development expenses as provided by terms of the agreements between the Company and firms sponsoring such activities.

Note 4 Investments

	1998	1997
Perigon (29.82% of the issued and outstanding capital stock):		
Equity investment at beginning of year	$ 432,068	$ 415,614
Additional investment	40,176	4,447
Share of earnings (loss)	(127,123)	12,007
Provision for impairment in value	(345,120)	-
	1	432,068
SemBioSys (34.33% (1997 36.57%) of the issued and outstanding capital stock)	944,112	182,960
Other investments at cost:		
International Technology Development Inc.	-	1
Jade Simulations International Corporation	-	1
Wi-Lan Inc.	1	1
Cell-Loc Inc.	10,300	10,300
	10,301	10,303
	$ 954,414	$ 625,331

During the year, the Company sold for $500,000, 70 shares of SemBioSys representing 0.67% ownership pursuant to a Stock Purchase and Option Agreement dated March 31, 1998.

Also during the year, SemBioSys sold 431 shares (4.10% of its outstanding capital stock) from treasury for $2,250,000. Since the Company accounts for its investment in SemBioSys using the equity method, the issuance of shares by SemBioSys resulted in a gain in the Company's financial statements of $776,267, all of which has been deferred and will be recognized as SemBioSys incurs expenditures funded by the proceeds of the issuance. The gain represents the Company's proportionate share of the proceeds less the nominal carrying value of the percentage reduction in its ownership of SemBioSys, and results in an increase in the carrying value of the investment.

As a result of significant operating losses and a working capital deficiency incurred by Perigon as well as other factors, the Company determined that its investment in Perigon has been impaired. The investment has been written down to $1 in these financial statements.

Note 5 Capital Assets

	1998			1997
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Office equipment	$ 106,616	$ 91,146	$ 15,470	$ 34,147
Software	28,585	28,585	-	-
Office furniture	28,389	5,401	22,988	23,004
	163,590	125,132	38,458	57,151
Patents	862,327	334,723	527,604	618,519
	$ 1,025,917	$ 459,855	$ 566,062	$ 675,670

During the year, patents with a net book value of $42,757 (1997 $48,009) were written off and patent amortization of $86,674 (1997 $88,362) was charged to earnings. Amortization of other capital assets amounted to $39,308 for the year (1997 $41,762).

Note 6 Demand Bank Loan

The demand bank loan was repaid during the year. The loan bore interest at prime plus 1% with the bank holding a general security agreement over all assets of the Company.

Note 7 Long-term Accounts Payable

Long-term accounts payable are non-interest bearing and are payable out of future royalties received on certain projects.

Note 8 Capital Stock and Contributed Surplus

The Company's authorized capital stock consists of an unlimited number of common shares without nominal or par value of which one common share is issued and outstanding.

	1998	1997
Contributed surplus		
Balance at beginning of year	$ 1,651,698	$ 1,601,698
Additional contribution by The University of Calgary	50,000	50,000
Balance at end of year	$ 1,701,698	$ 1,651,698

Note 9 Income Taxes

The Company has assets with a cost basis for tax purposes that exceed their carrying value in the financial statements by $246,000 (1997 $300,000) which may be used to reduce taxable income in future years.

The Company has unutilized investment tax credits of $430,000 (1997 $440,000) which may be carried forward to reduce federal income taxes payable in future years. These investment tax credits expire in the years ending from March 31, 2003 to March 31, 2009.

The potential future tax benefits relating to the above items have not been recognized in these financial statements.

Note 10 Related Party Transactions

During the year, the Company and its subsidiaries were involved in the following transactions with the Company's parent, The University of Calgary:

	1998	1997
Client contract revenue	$ 50,000	$ 50,000
Product development expense	463,779	490,960
Other services included in operating expense	127,848	55,044
Royalty payments	24,164	-
Balance payable at year end	101,892	30,867

Substantially all of the Company's projects from which it derives licensing, royalty, and product development revenues arise out of the Company's activities with two client institutions, The University of Calgary and Calgary Regional Health Authority.

Note 11 **Expense Reimbursements**

Expense reimbursements consists of:

	1998	1997
Government assistance:		
Government of Alberta	$ 45,950	$ 81,168
Government of Canada (NSERC)	50,000	50,000
	95,950	131,168
Other project reimbursements	116,425	206,867
	$ 212,375	$ 338,035

Note 12 **Contingencies and Commitments**

Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Company, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

The Company is committed to the following minimum operating lease payments over the next four years under the terms of a premises lease:

Year ending March 31,	
1999	$ 28,000
2000	$ 29,000
2001	$ 30,000
2002	$ 3,000

The Company received $200,000 in 1995 from Alberta Economic Development and Tourism for the research and development of certain projects. Repayment of the $200,000 is contingent upon the projects generating royalty income and is calculated as 5% of royalties received on the projects during any year. Payments commenced in 1997 and will end in 2006. To March 31, 1998, the company has repaid $34,275.

The Company received funding in 1995 totaling $64,350 from the Alberta Heritage Foundation for Medical Research for the development of a specific project. The funding is repayable annually calculated on the lessor of 5% of gross sales related to the project or $15,000 until the amount has been fully repaid. To March 31, 1998, the Company has repaid $2,212.

Note 13 Budget

The budget was approved by the Board of Directors on June 19, 1997.

Note 14 Financial Instruments

The Company's financial instruments recognized in the balance sheet consist of cash and short-term investments, accounts receivable and accrued liabilities, and long-term accounts payable.

Note 15 Comparative Figures

The comparative figures for 1997 have been reclassified to conform with the presentation adopted in the current year.

Schedule 1

UNIVERSITY TECHNOLOGIES INTERNATIONAL INC.
SCHEDULE OF LICENSING AND ROYALTY REVENUE
FOR THE YEAR ENDED MARCH 31, 1998

	1998 Budget (Note 13)	1998 Actual	1997 Actual
Gross revenue from licensing and royalty agreements	$ 2,154,025	$ 2,093,053	$ 2,063,769
Distribution to other parties under licensing and royalty agreements			
Inventors	1,431,998	1,093,853	996,762
Client institutions	-	418,590	365,341
	1,431,998	1,512,443	1,362,103
Net licensing and royalty revenue	$ 722,027	$ 580,610	$ 701,666

Schedule 2

UNIVERSITY TECHNOLOGIES INTERNATIONAL INC.
SCHEDULE OF PRODUCT DEVELOPMENT REVENUE
FOR THE YEAR ENDED MARCH 31, 1998

	1998 Budget (Note 13)	1998 Actual	1997 Actual
Revenue earned under product development agreements	$ 1,194,306	$ 604,339	$ 687,785
Product development expense	1,010,122	528,228	567,257
Investment tax credits	-	(136,000)	(84,781)
	1,010,122	392,228	482,476

UNIVERSITY TECHNOLOGIES INTERNATIONAL INC.
SCHEDULE OF PERSONNEL COSTS
FOR THE YEAR ENDED MARCH 31, 1998

	1998				1997	
	Number of Individuals	Salary	Benefits and Allowances[1]	Total	Number of Individuals	Total
Chairman	1	$ -	$ -	$ -	1	$ -
Other directors	13	-	-	-	13	-
Senior employees						
President & CEO	1	102,250	10,390	112,640	1	106,115
Manager, Business Development	1	90,000	10,275	100,275	1	94,022
Manager, Technology Transfer	1	61,000	7,040	68,040	1	64,552
Manager, Technology Transfer	1	57,000	6,082	63,082	1	61,196
Other managers						
Licensing Associates	2	79,500	11,420	90,920	2	80,699
Other full-time administrative staff (average salary 1998 $31,232, 1997 $28,813)	4	111,503	11,974	123,477	5	144,067
Non-salaried staff	3	48,486	2,219	50,705		16,164
Employee bonuses		-	-	-		99,062
		$ 549,739	$ 59,400	$ 609,139		$ 665,877

(1) Benefits and allowances includes Company's share of all employee benefits including Canada Pension Plan, Employment Insurance, health care, dental coverage, group life insurance, and pension.

OLYMPIC OVAL/ANNEAU OLYMPIQUE
STATEMENTS
MARCH 31, 1998

AUDITOR'S REPORT

To the Board of Governors of
The University of Calgary

I have audited the statement of base operating costs and revenue of Olympic Oval/Anneau Olympique and the statement of expenditures incurred in providing programming for high performance athletes and fund balance, and statement of reserves for the year ended March 31, 1998 in accordance with Article 7.01a of the Oval Long-term Operators Agreement, December 31, 1987 and the Oval Long-term Operating Amending Agreement, April 1, 1995. This financial information is the responsibility of the University's management. My responsibility is to express an opinion on this financial information based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial information. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial information.

In my opinion, these statements present fairly the revenues, expenditures and reserves of Olympic Oval/Anneau Olympique for the year ended March 31, 1998 in accordance with Article 7.01a of the Oval Long-term Operating Agreement, December 31, 1987 and the Oval Long-term Operating Amending Agreement, April 1, 1995.

Original signed by
Peter Valentine, FCA
Auditor General

Edmonton, Alberta
June 8, 1998

OLYMPIC OVAL/ANNEAU OLYMPIQUE
STATEMENT OF BASE OPERATING COSTS AND REVENUE
FOR THE YEAR ENDED MARCH 31, 1998

	1998		1997
	Budget (Note 5)	Actual	Actual
Expenditure			
Salaries and benefits	$ 949,000	$ 933,514	$ 905,279
Utilities and maintenance	856,533	769,665	725,565
Supplies and advertising	84,136	92,261	75,781
Central administration support	32,445	32,445	31,500
Purchased services	29,721	86,668	60,885
Telecommunication and postage	12,200	24,001	19,665
Travel and hosting	10,609	27,170	19,620
Insurance	14,420	9,573	10,227
Legal and audit	2,215	5,832	5,729
	1,991,279	1,981,129	1,854,251
Revenue	(498,480)	(518,045)	(463,006)
Net operating costs	$ 1,492,799	$ 1,463,084	$ 1,391,245
Funded by:			
The University of Calgary	$ 497,600	$ 491,397	$ 458,764
The Calgary Olympic Development Association	995,199	982,793	917,527
	1,492,799	1,474,190	1,376,291
Vacation pay and compensation time off accrual	-	(11,106)	14,954
	$ 1,492,799	$ 1,463,084	$ 1,391,245

The accompanying notes are part of these statements.

OLYMPIC OVAL/ANNEAU OLYMPIQUE
STATEMENT OF EXPENDITURES INCURRED IN PROVIDING PROGRAMMING FOR HIGH PERFORMANCE ATHLETES AND FUND BALANCE
FOR THE YEAR ENDED MARCH 31, 1998

	1998	1997
Funds available at beginning of year	$ 101,599	$ 101,545
Less expenditures		
Athlete support services	42,000	51,700
Research funding	21,817	43,826
Research salaries and benefits	10,140	4,051
Research equipment and supplies	6,636	369
	80,593	99,946
Add The University of Calgary allocation of revenues earned for high performance atheletes programming (Note 3)	100,000	100,000
Funds available at end of year for expenditure on high performance athletes programming	$ 121,006	$ 101,599

OLYMPIC OVAL/ANNEAU OLYMPIQUE
STATEMENT OF RESERVES
FOR THE YEAR ENDED MARCH 31, 1998

	Building Reserve		Equipment Replacement Reserve		New Equipment Reserve	
	1998	1997	1998	1997	1998	1997
Capital renewal provision	$ 147,960	$ 145,060	$ 20,380	$ 31,942	$ -	$ -
Interest	55,258	-	21,406	-	9,711	11,253
	203,218	145,060	41,786	31,942	9,711	11,253
Expenditures	297,939	67,034	109,648	194,759	11,987	2,503
Less funded by Calgary Olympic Development Association	198,626	44,689	73,099	129,839	-	-
	99,313	22,345	36,549	64,920	11,987	2,503
Increase (decrease) in reserve for the year	103,905	122,715	5,237	(32,978)	(2,276)	8,750
Reserve balance at beginning of year	1,040,743	918,028	403,168	436,146	182,904	174,154
Reserve balance at end of year	$ 1,144,648	$ 1,040,743	$ 408,405	$ 403,168	$ 180,628	$ 182,904

OLYMPIC OVAL/ANNEAU OLYMPIQUE
NOTES TO THE STATEMENTS
MARCH 31, 1998

Note 1 Purpose

The Olympic Oval/Anneau Olympique ("the Oval") was constructed by The University of Calgary (the "University") to serve as the speed skating venue for the 1988 Olympic Winter Games, with capital funding provided entirely by the Government of Canada. It is now operated as a legacy of the Games for the benefit of high performance athletes, the general public, and students and researchers of the University.

The Oval is operated by the University under the Oval Long-term Operating Agreement, December 31, 1987 and the Oval Long-term Operating Amending Agreement, April 1, 1995 between the University, the Government of Canada and the Calgary Olympic Development Association ("CODA").

Note 2 Significant Accounting Policies and Reporting Practices

These statements have been prepared in accordance with the format suggested in the Oval Long-term Operating Agreement, December 31, 1987 and the Oval Long-term Operating Amending Agreement, April 1, 1995.

Note 3 Funding

Funding for the operations of the Oval is provided by CODA through an endowment fund established by the Government of Canada, and by the Province of Alberta through an operating grant provided to the University. One-third of the Gross Revenue of the Oval is retained by the University, from which $100,000 is allocated for Programming of High Performance Athletes. If the one-third of the Gross Revenue is less than $100,000, the University may limit the allocation to one-third of the Gross Revenue. These funding arrangements are in accordance with the Oval Long-term Operating Agreement, December 31, 1987 and the Oval Long-term Operating Amending Agreement, April 1, 1995.

Note 4 Contingent Liability

A claim for $14,000 has been filed against the Oval to recover costs alleged to have been incurred as a result of injury while skating in the Oval. The amount of settlement or loss is not determinable at this time. It is anticipated that losses, if any, will not exceed the liability insurance coverage of the Oval.

Note 5 Budget

The 1997-1998 base operating budget was approved by the Olympic Endowment Fund Allocations Committee on December 16, 1996.

Note 6 Approval of Statements

These statements were approved by management.

THE UNIVERSITY OF LETHBRIDGE
FINANCIAL STATEMENTS
MARCH 31, 1998

AUDITOR'S REPORT

To the Board of Governors of The University of Lethbridge

I have audited the statement of financial position of The University of Lethbridge as at March 31, 1998 and the statements of operations, changes in net assets and statement of cash flows for the year then ended. These financial statements are the responsibility of the University's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the University as at March 31, 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Original signed by
Peter Valentine, FCA
Auditor General

Edmonton, Alberta
May 26, 1998

THE UNIVERSITY OF LETHBRIDGE
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 1998
(thousands of dollars)

	1998	1997 (As restated) (Note 3)
Assets		
Current Assets		
Cash and cash equivalents	$ 2,025	$ 1,245
Accounts receivable	2,862	2,078
Inventories	411	389
Prepaid expenses	397	278
	5,695	3,990
Investments (Note 4)	42,610	34,097
Capital assets (Note 5)	92,953	93,418
Collection (Note 6)	26,175	24,955
	$ 167,433	$ 156,460
Liabilities and net assets		
Current liabilities		
Accounts payable	$ 2,374	$ 1,759
Accrued vacation pay	1,228	1,189
Deferred revenue	726	915
Deferred tuition fees	1,369	1,361
Deferred contributions (Note 7)	11,988	7,810
Current portion of long term liabilities	1,709	1,150
	19,394	14,184
Long term liabilities		
Long term debt (Note 8)	561	741
Accrued liabilities (Note 9)	1,603	1,611
Unfunded staff benefits (Note 10)	6,671	10,393
	8,835	12,745
Unamortized deferred capital contributions (Note 11)	70,788	73,338
Net assets		
Investment in capital assets and collection	47,600	44,126
Endowments (Note 12)	8,017	7,301
Internally restricted net assets (Note 13)	10,602	6,097
Unrestricted net assets	2,197	(1,331)
	68,416	56,193
	$ 167,433	$ 156,460

The accompanying notes are part of these financial statements.

THE UNIVERSITY OF LETHBRIDGE
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 1998

(thousands of dollars)

	1998	1997 (As restated) (Note 3)
Revenue		
Grants	$ 32,515	$ 32,039
Tuition and related fees	17,744	15,955
Sales of services and products	7,116	6,606
Investment income	5,709	2,855
Gifts and donations	1,092	1,188
Miscellaneous	2,750	1,647
Amortization of deferred capital contributions (Note 11)	3,484	3,064
	70,410	63,354
Expense		
Salaries (Note 14)	35,392	33,357
Employee benefits (Note 14)	5,496	5,148
Past service pension	(2,843)	(547)
Pension valuation adjustment	-	(2,711)
Scholarships and bursaries	994	770
Supplies and services	5,360	4,912
Cost of goods sold	2,188	2,181
External contracted services	1,943	1,410
Travel	1,817	1,785
Utilities	1,437	1,373
Professional fees	138	475
Interest on long term liabilities	348	403
Property taxes	146	175
Insurance	118	116
Loss on disposal of capital assets and collection	1,804	34
Amortization of capital assets	5,524	5,440
	59,862	54,321
Excess of revenue over expense	$ 10,548	$ 9,033

THE UNIVERSITY OF LETHBRIDGE
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 1998

(thousands of dollars)

	1998					1997
	Investment in Capital Assets & Collection	Endowments	Internally Restricted	Unrestricted	Total	Total (As restated) (Note 3)
Balance, beginning of year						
As previously reported	$ 44,126	$ 7,301	$ 6,097	$ 30	$ 57,554	$ 45,811
Change in accounting policy (Note 3)	-	-	-	(1,361)	(1,361)	(1,046)
As restated	44,126	7,301	6,097	(1,331)	56,193	44,765
Excess of revenue over expense	-	-	-	10,548	10,548	9,033
Direct increases to net assets:						
Non-amortizable collection donations (Note 6)	1,216	-	-	-	1,216	2,235
Non-amortizable collection acquisitions (Note 6)	16	-	-	(16)	-	7
Change in restriction (Note 7)	-	462	-	(152)	310	24
Endowment contributions	-	149	-	-	149	129
Transfers:						
Internally funded:						
Capital asset additions	5,992	-	-	(5,992)	-	-
Net book value of capital asset disposals	(1,156)	-	-	1,156	-	-
Amortization	(2,762)	-	-	2,762	-	-
Repayment of long term debt	168	-	-	(168)	-	-
Capitalized investment earnings	-	105	-	(105)	-	-
Allocation to internally restricted net assets (Note 13)	-	-	4,505	(4,505)	-	-
Balance, end of year	$ 47,600	$ 8,017	$ 10,602	$ 2,197	$ 68,416	$ 56,193

THE UNIVERSITY OF LETHBRIDGE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 1998
(thousands of dollars)

	1998	1997 (As restated) (Note 3)
Cash provided by (used in) operating activities:		
Excess of revenue over expense	$ 10,548	$ 9,033
Items not affecting cash flow:		
Amortization of deferred capital contributions	(3,484)	(3,064)
Amortization of capital assets	5,524	5,440
Loss on disposal of capital assets	1,808	34
Gain on disposal of collection	(4)	-
Increase in accrued liabilities	437	346
Decrease in unfunded staff benefits	(3,619)	(3,880)
Increase in non-cash operating working capital	3,518	1,324
	14,728	9,233
Cash provided by (used in) investing activities:		
Purchase of investments	(8,513)	(6,127)
Capital asset additions	(6,926)	(6,457)
Collection additions	(1,232)	(2,242)
Proceeds on disposal of capital assets	59	18
Proceeds on disposal of collection	16	-
	(16,596)	(14,808)
Cash provided by (used in) financing activities:		
Long term debt repayments	(168)	(64)
Endowment contributions received	149	129
Special purpose capital contributions	1,265	1,041
Capital contributions received	1,402	2,757
	2,648	3,863
Increase (decrease) in cash and cash equivalents	780	(1,712)
Cash and cash equivalents, beginning of year	1,245	2,957
Cash and cash equivalents, end of year	$ 2,025	$ 1,245

THE UNIVERSITY OF LETHBRIDGE
NOTES TO THE FINANCIAL STATEMENTS
March 31, 1998

Note 1 Authority and Purpose

The University of Lethbridge (the "University") operates under the authority of the Universities Act, Chapter U-5, Revised Statutes of Alberta 1980 as amended. The University is dedicated to quality undergraduate and graduate studies in the tradition of liberal education, research and public service. The University is a registered charity and is exempt from payment of income tax.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

(a) General

These financial statements have been prepared in accordance with generally accepted accounting principles.

(b) Revenue Recognition

Operating grants are recognized when receivable. Revenues received for the provision by the University of goods and services are recognized in the period in which the goods are provided or the services rendered or substantially rendered.

Deferred Contributions - Externally restricted non-capital and non-endowment contributions are deferred and are recognized as revenue in the period in which the related expenses are incurred.

Deferred Capital Contributions and Unamortized Deferred Capital Contributions - Contributions externally restricted for the acquisition of capital assets having limited lives are deferred and recorded as deferred capital contributions in the period in which they are received. Deferred capital contributions are transferred to unamortized deferred capital contributions when expended and are amortized to revenue over the useful lives of the related assets.

Endowments - Endowment contributions are recognized as direct increases in net assets in the period in which they are received.

(c) Inventories

Inventories held for resale are valued at the lower of cost and net realizable value. Inventories held for consumption are valued at cost.

(d) Investments

Investments are recorded at cost or amortized cost where applicable. Amortization of premiums or discounts are calculated on a straight-line basis from acquisition date to maturity. Gains or losses are recognized in the year of disposal or when there is a permanent impairment in the value of the investment.

(e) Capital Assets

Capital assets purchased by the University are recorded at cost. Donated assets are recorded at fair values. Capital assets disposed of are removed from the accounts at their cost and related accumulated amortization.

Capital assets, except capital projects, are amortized on a straight-line basis over the assets' estimated useful lives. The estimated useful lives are as follows:

Land improvements	10-25 years
Buildings	60 years
Leasehold improvements	15 years
Furnishings and equipment	5-10 years
Computer equipment	3-5 years
Electrical equipment	20 years
Software	3-5 years
Vehicles	6 years
Learning resources	10 years

(f) Collection

Collection assets purchased by the University are recorded at cost. Donated collection assets are recorded at fair values. Collection assets disposed of are removed from the accounts at their book value.

The collection consists of works of art which are held for educational and public exhibition purposes.

(g) Pension Liability

The University and its eligible employees participate in either the Public Service Pension Plan or the Universities Academic Pension Plan. These plans provide pensions for the University's employees based on years of service and earnings.

The total unfunded pension liability for each plan was determined by an actuarial valuation as at December 31, 1995 for the Public Service plan and as at December 31, 1997 for the Universities Academic plan, both extrapolated to March 31, 1998. The 1997 comparative figures were based on extrapolations of valuations as at December 31, 1995 for the Public Service plan and as at December 31, 1996 for the Universities Academic plan. The unfunded liability is to be eliminated on or before December 31, 2036 for the Public Service plan and December 31, 2043 for the Universities Academic plan.

The actuarial valuations were determined using the projected benefit method prorated on service. Assumptions used in the valuations are based on the Pension Boards' best estimate of future events. The plans' future experiences will inevitably differ, perhaps significantly, from the assumptions. Any difference between the actuarial assumptions and future experience will emerge as gains or losses in future valuations. Gains and losses which relate to the long term are amortized over the expected average remaining service life of the employee group. Gains and losses for which there is reasonable assurance regarding their measurement and realization are recognized in income immediately.

The pension expense includes pension obligations earned by employees during the year, interest on the unfunded pension liabilities, the amortization of deferred adjustments over the expected average remaining service lives of employees and the effect of the change in the ratio used to allocate the plans' total unfunded liability to participating entities.

The pension valuation adjustment is a one-time effect on the pension liability as a result of changes in investment strategies of the pension plans, and the effect of downsizing and wage restraint. These factors were incorporated in the latest valuation of the pension plans.

(h) Pledges Receivable

Pledges receivable are not recorded as assets in these financial statements.

(i) Contributed Services

Volunteers as well as members of the staff of the University contribute an indeterminable number of hours per year to assist the institution in carrying out its mission of post secondary and graduate education, research and public service. Such contributed services are not recognized in the financial statements.

Note 3 Change in Accounting Policy

During the year the University changed its method of accounting for tuition fees in order to match revenue with expense for the Spring Semester, which extends beyond the March 31 fiscal year end. This change has been applied retroactively and prior periods have been restated to reflect this change. As a result of this change, deferred revenue has increased by $1,369 (1997 $1,361) and excess of revenue over expense has decreased by $8 (1997 $315).

Note 4 Investments

	1998				1997			
	Cost	Market Value	Realized Return	Market Return	Cost	Market Value	Realized Return	Market Return
Cash and short term deposits	$ 8,687	$ 8,731	3.40%	3.40%	$ 1,991	$ 1,991	3.70%	3.70%
Bonds and debentures	21,148	21,370	12.32%	11.20%	19,525	19,742	9.10%	11.77%
Stocks	12,677	15,854	28.14%	40.77%	12,483	13,496	9.20%	16.10%
Other investments	98	98			98	98		
	$ 42,610	$ 46,053			$ 34,097	$ 35,327		

Realized return includes interest and dividend income and gains and losses incurred on disposal of investments. Market return includes both realized return and unrealized gains and losses on investments due to market fluctuations.

Bonds and debentures consists of the following:

	1998			1997		
	Cost	Market Value	Effective Yield	Cost	Market Value	Effective Yield
Short term (less than two years maturity)	$ 4,704	$ 4,785	5.03%	$ 2,631	$ 2,633	2.89%
Medium term (two to five years maturity)	2,884	2,933	4.95%	6,611	6,621	5.12%
Long term (greater than five years maturity)	13,560	13,652	5.80%	10,283	10,488	6.84%
	$ 21,148	$ 21,370		$ 19,525	$ 19,742	

The Board of Governors, through its Financial Planning and Investment Committee, monitors the performance of the investment managers acting with advice from an external consultant. The prime directive of the Committee is to protect the principal assets of the investment fund, assurance of income and to maintain reasonable costs relating to managing the investments.

Investments are managed by an investment manager and University staff. The investment portfolio consists of a balanced fund, fixed income funds or short -term current operating funds.

The balanced fund policy mix standard is as follows:

Permissible Assets	Policy Standard
Short Term/cash	5%
Canadian bonds	40%
Canadian equities	25%
U.S. equities	15%
Global equities	15%
	100%

Bond investments must have a rating of BBB-plus or better and the short term portfolio shall be rated at least R-1, mid (or equivalent) as per the Dominion Bond Rating Service.

Short term investments are held on average for less than three months and bonds are held on average less than three years. Bonds in the portfolio have maturity dates between one and twenty-nine years, with an average maturity date of seven years.

Note 5 Capital Assets

	1998			1997
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 638	-	$ 638	$ 638
Buildings and land improvements	102,740	26,922	75,818	75,561
Capital projects	1,979	-	1,979	1,529
Furnishings and equipment	31,204	21,358	9,846	11,456
Learning resources	15,956	11,284	4,672	4,234
	$ 152,517	$ 59,564	$ 92,953	$ 93,418

Capital projects consist of a proposed student residence and the Library Information Network Centre.

Capital asset additions during the year included the following donations in kind:

	1998	1997
Equipment	$7	$125
Learning resources	178	6
	$185	$131

The threshold for capitalization was revised during the year from $500 to $1,000. As a result of this, capital assets were reduced by $5,640, accumulated amortization was reduced by $3,939, resulting in a net disposal of $1,701.

Note 6 Collection

	1998	1997
Balance, beginning of year	$24,955	$22,713
Donations	1,216	2,235
Acquisitions	16	7
Disposals	(12)	-
Balance, end of year	$26,175	$24,955

The collection contains in excess of 10,000 pieces of art work.

Note 7 Deferred Contributions

Deferred contributions represent contributions received where the expenditures must fall within the constraints established by the donor or agency providing the funds. Changes in the deferred contributions balance are as follows:

	1998	1997
Balance, beginning of year	$ 7,810	$ 5,908
Contributions received	9,969	6,236
Transfers to:		
Revenue	(4,547)	(3,203)
Unamortized deferred capital contributions (Note 11)	(934)	(1,107)
Endowments	(310)	(24)
Balance, end of year	$ 11,988	$ 7,810
Balance consists of:		
Operating (restricted)	$ 2,141	290
Sponsored Research	1,779	1,472
Special Purpose	4,438	3,173
Endowments (expendable)	3,630	2,875
	$ 11,988	$ 7,810

Operating (restricted) contributions are conditional grants, sponsored research contributions are used in the pursuit of research activities, special purpose are contributions designated for capital purposes and endowments (expendable) monies are available to meet the annual spending commitments, for which the endowments were established.

Note 8 Long Term Debt

	Rate of Interest	Original Advance	Amount Outstanding 1998	1997
Bank of Montreal	6.39%	$ 950	$ 741	$ 909
December 31, 2001				
Less: current portion			180	168
			$ 561	$ 741

Principal payments in the next four years are approximately as follows:

1999	$180
2000	$192
2001	$204
2002	$165
	$741

Note 9 Accrued Liabilities

	1998	1997
Senior executive leaves	$ 2,155	$ 1,751
Supplementary pension plan	91	58
	2,246	1,809
Less: current portion	643	198
	$ 1,603	$ 1,611

Senior executive leaves have been accrued for senior administrators during the years in which the leaves are earned and normally will be paid out at the end of the administrative service.

The supplementary pension plan is a defined contribution plan.

Payments in the next five years are approximately as follows:

1999	$643
2000	$283
2001	$509
2002	$694
2003	$117

Note 10 Unfunded Staff Benefits

The unfunded staff benefits include the following items which have been expensed but which will be funded from future cash flows.

	1998	1997
Unfunded pension liability - Universities Academic Plan	$ 2,096	$ 4,812
Unfunded pension liability - Public Service Plan	355	482
Early retirement benefits	5,106	5,882
	7,557	11,176
Less: current portion - early retirement benefits	886	783
	$ 6,671	$ 10,393

Early retirement benefits are carried at their net present value. The discounted rate used for early retirement benefits is the blended realized rate of return earned on internally and externally managed investments.

There were three early retirement benefit offerings, with payments from year 1989 to 2009. The early retirement benefits net present value of the original principal balances were as follows:

1988 offering	$2,574
1993 offering	$2,098
1994 offering	$3,565
	$8,237

Payments for early retirement benefits in the next five years are approximately as follows:

1999	$886
2000	$860
2001	$722
2002	$573
2003	$573

Note 11 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the funded portion of capital assets which will be recognized as revenue in future periods. Changes in unamortized deferred capital contributions are as follows:

	1998	1997
Balance, beginning of year	$73,338	$75,295
Transfer from deferred contributions (Note 7)	934	1,107
Transfer to revenue	($3,484)	($3,064)
Balance, end of year	$70,788	$73,338

Note 12 Endowments

Endowments consist of restricted donations to the University, the principal of which is required to be maintained intact. The investment income generated from endowments must be used in accordance with the purposes specified by the donors or the Board of Governors. University policy has been established with the objective of protecting the real value of the Endowments by limiting the amount of income expended and reinvesting unexpended income.

Note 13 Internally Restricted Net Assets

Internally restricted net assets represent amounts set aside by the Board of Governors for the following purposes:

	1998	1997
Operating:		
Staff benefits	$ 458	$ -
Academic development	87	-
Campus planning studies	216	-
International affairs	181	-
Utilities	200	-
Enrollment management	39	-
Program development	1,259	-
	2,440	-
Capital:		
Capital replacement - Ancillary Services	1,671	1,759
Library building	3,162	-
Housing Services - residences	1,633	1,241
Capital equipment	636	1,043
Buildings and plant	250	810
Site and utilities	184	590
Utility conservation	327	330
Self insurance	113	117
Parking services	107	106
Service vehicles and equipment	79	101
	8,162	6,097
	$ 10,602	$ 6,097

Note 14 Salaries and Employee Benefits

	Average (salary and benefits) 1998	Average (salary and benefits) 1997	1998 Number of Individuals	1998 Salary	1998 Benefits	1998 Total	1997 Number of Individuals	1997 Total
Board of Governors								
Chairperson of the Board			1	$ -	$ -	$ -	1	$ -
Board Members			16	-	-	-	16	-
President			1	162	24	186	1	174
			18	162	24	186	18	174
Executives								
Vice-President (Academic)			1	127	18	145	1	138
Dean of Management			1	144	21	165	1	153
Dean of Arts and Science			1	117	16	133	1	126
Dean of Nursing			1	117	14	131	1	123
			4	505	69	574	4	540
Academic staff								
Continuing positions	$ 55	$ 54	237	11,493	1,462	12,955	240	12,859
Other			1,537	8,414	719	9,133	1,500	7,997
			1,774	19,907	2,181	22,088	1,740	20,856
Administrative/professional staff								
Directors Continuing	$ 83	$ 87	11	790	120	910	10	871
APO - Continuing	$ 53	$ 52	64	2,885	493	3,378	60	3,144
Other			31	622	93	715	28	634
			106	4,297	706	5,003	98	4,649
Support staff								
Continuing Positions	$ 36	$ 35	313	9,450	1,798	11,248	303	10,741
Other			265	1,071	94	1,165	208	1,042
			578	10,521	1,892	12,413	511	11,783
Accrual of senior executive leaves								
President				-	63	63		41
Vice-President (Academic)				-	41	41		29
Dean of Management				-	52	52		91
Dean of Arts and Science				-	74	74		28
Dean of Nursing				-	35	35		27
Other Academic Staff				-	359	359		287
				-	624	624		503
TOTAL			2,480	$ 35,392	$ 5,496	$ 40,888	2,371	$ 38,505

Number of Individuals

Represents the number of individuals employed during the fiscal year.

Salary

Includes regular base pay, overtime payments, position abolishment payments, sabbaticals and any other direct remuneration.

Benefits

Includes employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, short and long term disability plans and workers compensation, supplementary pension plan contributions and professional development allowances.

Academic Staff - Other

Includes hourly, term and retired faculty, sessional/casual instructors and graduate teaching assistants.

Administrative/Professional Staff

APO = Administrative Professional Officers
Other - includes term, casual salaried, retired and hourly administrative/professional staff.

Support Staff - Other

Includes hourly, project, retired and casual salaried staff.

Accrual of Senior Executive Leaves

Leaves have been accrued for senior administrators during the years in which the leaves are earned and normally will be paid out at the end of the administrative service.

Note 15 Budget

The University is required to submit a budget, approved by the Board of Governors of the University, to the Minister of Advanced Education and Career Development for his approval. The 1997/98 budget was approved by the Board on March 20, 1997.

	1998		1997	
	Original Budget	Total Actual	Original Budget	Total Actual
Revenue				
Grants	$ 34,734	$ 32,515	$ 33,566	$ 32,039
Tuition and related fees	17,181	17,744	15,652	15,955
Sales of services and products	7,456	7,116	7,333	6,606
Investment income	1,512	5,709	1,445	2,855
Gifts and donations	539	1,092	514	1,188
Miscellaneous	1,578	2,750	633	1,647
Amortization of deferred capital contributions	3,500	3,484	3,240	3,064
	66,500	70,410	62,383	63,354
Expense				
Salaries and benefits	41,216	40,888	38,939	38,505
Past service pension	-	(2,843)	-	(547)
Pension valuation adjustment	-	-	-	(2,711)
Scholarships and bursaries	652	994	635	770
Supplies and services	5,546	5,360	6,080	4,912
Cost of goods sold	2,099	2,188	2,112	2,181
External contracted services	913	1,943	984	1,410
Travel	1,261	1,817	797	1,785
Utilities	1,738	1,437	1,768	1,373
Professional fees	196	138	177	475
Interest on long term liabilities	67	348	76	403
Property taxes	177	146	175	175
Insurance	111	118	114	116
Loss on disposal of capital assets and collection	-	1,804	-	34
Amortization of capital assets	4,649	5,524	5,668	5,440
Provisions	3,668	-	3,896	-
	62,293	59,862	61,421	54,321
	$ 4,207	$ 10,548	$ 962	$ 9,033

The provisions and supplies and services budget includes general department contingencies which are subject to reallocation by departments throughout the year. These contingency budgets are used primarily for capital purchases. Actual expenses are recorded in the appropriate expense categories.

Note 16 Related Party Transactions

a) University of Lethbridge Foundation

The University of Lethbridge Foundation (the "Foundation") operates under the authority of the Advanced Education Foundations Act, Chapter A-2.5, Statutes of Alberta 1991 as amended. The University of Lethbridge Foundation was established to receive gifts of real and personal property, and to provide grants of real and personal property to the University to support and promote the educational and research activities of the University. Under Section 149 (1)(l) of the Income Tax Act, the Foundation is exempt from income tax on income earned in the normal course of operations.

The Foundation's financial statements are not consolidated with the University.

During the year the following transactions occurred in the Foundation:

	1998	1997
Art work / equipment donations	$154	$742
Cash donations / interest received	-	25
Grants paid to the University	154	767

No assets were held by the Foundation as at March 31, 1998.

b) Province of Alberta

The University operates under the authority of the Universities Act, Chapter U-5, Revised Statutes of Alberta 1980 as amended. During the year the University has received the following grants from Advanced Education and Career Development:

Operating grant	$29,286
Conditional grants	4,290
Access funding	2,336
	$35,912

Note 17 Pledges Receivable

As of March 31, 1998 the University has collected donations for the Library Information Network Centre in the amount of $5,350 and the estimated realizable value of pledges receivable is $2,971, totalling $8,321 in support of the Library Information Network Centre. The pledges are expected to be received over the next three years and have not been recorded in the financial statements.

Note 18 Contingencies and Subsequent Events

a) Liabilities:

The University, in the conduct of its normal activities, is a defendant in a number of legal proceedings. While the ultimate outcome of these proceedings cannot be predicted at this time, it is the opinion of management and the University's legal counsel that adequate provision for these proceedings has been made in the University's accounts. It is believed that the resolution of the proceedings will not have a material effect on the financial position of the University, however, should any additional loss result from the resolution of these proceedings, such amounts would be charged against earnings in the year incurred.

b) Capital Projects

The University commenced the following capital projects subsequent to year end. The projects will be completed within the 1998/99 fiscal year and will be funded from unrestricted net assets.

PE classroom annex	$ 897
Science annex building	689
Art Gallery storage building	248
Parkway road expansion	168
	$2,002

c) Uncertainty Due to the Year 2000:

The year 2000 issue is the result of some computer programs being written using two digits rather than four to define the applicable year. University computer programs that have date sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000, which could result in miscalculations or system failures. In addition, similar problems may arise in some systems if certain dates in 1999 are not recognized as a valid date or are recognized to represent something other than a date. The effects of the year 2000 issue may be experienced before, on or after January 1, 2000. If not addressed, the effect on operations and financial reporting may range from minor errors to significant systems failure that could affect the ability to conduct some University operations.

The University is currently working to resolve the potential effect of the year 2000 on the processing of date sensitive information by the University's computerized information systems in a timely manner. The costs of addressing potential problems by modifying, replacing or retiring significant portions of computerized information systems are not expected to have a material adverse effect on the University's financial condition. Despite the University's efforts to address this issue, it is not possible to be certain that all aspects of the year 2000 problem affecting the University, including those related to the efforts of customers, suppliers and other third parties, will be fully resolved.

Note 19 Comparative Figures

Certain 1997 figures have been reclassified to conform to 1998 financial statement presentation.

Note 20 Approval of Financial Statements

These financial statements have been approved by the Board of Governors following the recommendation of the Audit Committee.

THE BANFF CENTRE FOR CONTINUING EDUCATION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 1997

AUDITORS' REPORT

To the Board of Governors of
The Banff Centre for Continuing Education:

We have audited the balance sheet of The Banff Centre for Continuing Education (the "Centre") as at September 30, 1997 and the statements of operations and changes in net assets and sources and uses of cash for the year then ended. These financial statements are the responsibility of the Centre's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of The Banff Centre for Continuing Education as at September 30, 1997 and the results of its operations and its sources and uses of cash for the year then ended in accordance with generally accepted accounting principles.

The financial statements of The Banff Centre for Continuing Education as of September 30, 1996 were audited by another auditor whose report dated December 19, 1996 expressed an unqualified opinion on those statements.

Original signed by
Arthur Andersen & Co.
Chartered Accountants

Calgary, Alberta
October 31, 1997

THE BANFF CENTRE FOR CONTINUING EDUCATION
BALANCE SHEET
AS AT SEPTEMBER 30, 1997

	As at September 30, 1997	As at September 30, 1996
Assets		
Current assets:		
Cash and short-term investments	$ 228,427	$ 450,361
Accounts receivable (Note 3)	5,674,607	4,164,650
Inventories	558,746	587,356
Prepaid expenses	264,610	453,356
	6,726,390	5,655,723
Long-term pledges receivable (Note 4)	1,703,232	2,645,960
Long-term investments (Note 5)	4,334,897	4,258,266
Capital assets (Note 6)	52,615,319	54,978,245
	$ 65,379,838	$ 67,538,194
Liabilities and Net Assets		
Current liabilities:		
Bank loans (Note 7)	$ 2,401,116	$ 6,350,000
Accounts payable (Note 8)	1,620,587	2,825,501
Accrued vacation pay	497,837	501,865
Unearned revenue (Note 9)	886,507	597,261
Deferred contributions (Note 10)	1,219,333	1,204,422
Long-term debt due within one year (Note 11)	421,142	151,494
	7,046,522	11,630,543
Deferred contributions (Note 10)	1,469,370	1,957,550
Long-term debt (Note 11)	6,097,157	1,199,838
Pension liability (Note 12)	1,043,844	1,939,000
Deferred expended capital contributions (Note 13)	38,931,050	40,857,946
	54,587,943	57,584,877
Net Assets:		
Operating net assets (Note 14)	6,376,998	5,695,051
Endowments (Note 5 and 15)	4,414,897	4,258,266
	10,791,895	9,953,317
	$ 65,379,838	$ 67,538,194

The accompanying notes are part of these financial statements.

THE BANFF CENTRE FOR CONTINUING EDUCATION
STATEMENT OF OPERATIONS AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 1997

	Year Ended September 30, 1997		Six Months Ended September 30, 1996
	Budget	Actual	Actual
Revenue			
Accommodation	$ 14,479,901	$ 13,232,686	$ 5,192,266
Grants (Note 16)	9,298,638	9,446,702	4,643,511
Sales, rentals and services	2,246,407	2,141,724	1,582,305
Tuition and related fees	5,077,222	3,744,174	1,415,129
Donations and other contributions	1,700,128	1,290,412	691,309
Investment income	213,213	203,651	263,031
Amortization of deferred expended capital contributions (Note 13)	1,968,661	2,123,714	1,224,298
	34,984,170	32,183,063	15,011,849
Expenses			
Salaries, wages and benefits	15,092,583	15,626,035	7,696,684
Unfunded pension costs (recovery)	120,000	(459,156)	(21,000)
Scholarships and financial assistance	2,702,516	2,234,926	1,682,365
Supplies and materials	3,182,808	2,733,954	1,474,048
Facility operating	2,470,051	2,467,100	1,057,894
Purchased services	4,286,898	2,468,192	973,322
Travel and related	1,865,441	1,342,754	733,347
Financial costs	768,085	538,218	583,430
Marketing and promotion	1,052,871	1,135,648	502,485
Vehicles and equipment	947,692	961,303	289,451
Amortization of capital assets	2,665,182	2,681,048	1,277,771
Loss (gain) on disposal of capital assets	30,000	179,465	(306,912)
	35,184,127	31,909,487	15,942,885
Net income (loss) before pension valuation adjustment	(199,957)	273,576	(931,036)
Pension valuation adjustment (Note 12)	-	436,000	-
Net income (loss) after pension valuation adjustment	$ (199,957)	709,576	(931,036)
Net assets at beginning of period		9,953,317	10,836,074
Contributed artwork (Note 14)		48,502	45,979
Endowment contributions (Note 15)		80,500	2,300
Net assets at end of period		$ 10,791,895	$ 9,953,317

The accompanying notes are part of these financial statements.

THE BANFF CENTRE FOR CONTINUING EDUCATION
STATEMENT OF SOURCES AND USES OF CASH
FOR THE YEAR ENDED SEPTEMBER 30, 1997

	Year Ended September 30, 1997	Six Months Ended September 30, 1996
Operating activities		
Net income (loss)	$ 709,576	$ (931,036)
Non-cash transactions:		
Amortization of deferred expended capital contributions	(2,123,714)	(1,224,298)
Amortization and loss (gain) on disposal of capital assets	2,860,513	970,860
Changes in pension liability	(895,156)	(21,000)
Changes in non-cash working capital (Note 17)	(1,223,908)	(233,500)
Changes in pledges receivable related to operations	495,362	(120,100)
Changes in deferred contributions related to operations	(447,707)	61,349
Cash applied to operating activities	(625,034)	(1,497,725)
Investing activities		
Acquisition of capital assets	(497,587)	(5,315,054)
Proceeds from disposal of capital assets	-	606,996
Accrued proceeds on sale of off-campus property	540,287	(540,287)
Net purchase of long-term investments	(76,631)	(44,140)
Cash applied to investing activities	(33,931)	(5,292,485)
Financing activities		
Capital contributions received	798,392	877,085
Contributed artwork	48,502	45,979
Bank loan advanced	-	5,500,000
Changes in construction payables and holdbacks	(1,708,446)	(1,353,397)
Principal repayments of long-term debt	(333,033)	(112,347)
Endowment contributions received	80,500	2,300
Cash (applied to) generated from financing activities	(1,114,085)	4,959,620
Decrease in cash	(1,773,050)	(1,830,590)
Cash at beginning of period	(399,639)	1,430,951
Cash at end of period	$ (2,172,689)	$ (399,639)
Cash consists of:		
Cash and short-term investments	$ 228,427	$ 450,361
Bank loans related to operations	(2,401,116)	(850,000)
	$ (2,172,689)	$ (399,639)

The accompanying notes are part of these financial statements.

THE BANFF CENTER FOR CONTINUING EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 1997

Note 1 Authority and Purpose

The Banff Centre for Continuing Education operates under the authority of the Banff Centre Act, Chapter B-1, revised Statutes of Alberta 1980, as amended. The Centre is exempt under the Income Tax Act from payment of income tax.

The Centre provides to the public the opportunity of access to a broad range of learning experience with emphasis on the fine arts, management studies, language training, and environmental training.

Note 2 Significant Accounting Policies and Reporting Practices

The Banff Centre for Continuing Education changed its year end from March 31 to September 30, 1996.

(a) Revenue Recognition

Operating grants are recognized as revenue in the period when receivable. Operating grants received for a future period are deferred until that future period.

Amounts received for tuition fees and sales of goods and services are classified as unearned and recognized as revenue at the time the goods are delivered or the services are provided.

Externally restricted non-capital contributions are deferred and are recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts can only by used for the purposes designated by external parties.

Any externally restricted contributions containing stipulations that the amounts should be retained as net assets or that the contributions should not be expended are recorded as direct increases in net assets. Such stipulations would include contributions made for endowment purposes or to be used to acquire non-amortizable property.

Externally restricted capital contributions are recorded as deferred contributions until the amount is invested in capital assets. Amounts invested representing externally funded capital assets are then transferred to deferred expended capital contributions. Deferred expended capital contributions are recognized as revenue in the periods in which the related amortization expense of the funded capital asset is recorded. The related portion of amortization expense and capital contributions revenue are matched to indicate that the related amortization expense has been funded externally.

Unrestricted contributions are recognized as revenue when received.

Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

(b) Scholarships and Financial Assistance

Scholarships and financial assistance include payments to resident artists and other participants for tuition fees, accommodation and other financial aid.

(c) Inventories

Inventories held for resale are valued at the lower of cost and net realizable value. Inventories held for consumption are valued at the lower of cost and replacement value.

(d) Pledges Receivable

Pledges receivable are recorded as assets when the amount to be received can be reasonably estimated and ultimate collection is reasonably assured.

(e) Long-term Investments

Long-term investments are recorded at cost. Gains and losses on investments are recognized at liquidation, or when there is a permanent impairment in the value of an investment.

(f) Capital Assets

Capital assets are recorded at cost, except donated assets which are recorded at fair value. Capital assets, except property under development and artwork collection, are amortized on a straight-line basis over the estimated useful lives of the assets as follows:

Land improvements	20 years
Buildings and improvements	50 years
Furnishings and equipment	10 years

The useful lives have been estimated by management and will inevitably differ from actual, perhaps significantly, resulting in amortization expense not matching consumption over the asset's life.

Artworks are recorded at cost if purchased or at the appraised value at the time of donation. Artworks are not amortized. The artwork collection is made up of numerous pieces of art that are held for display in the Walter Phillips Gallery and other public areas of the Centre.

(g) Pension Liability and Expense

The Centre participates with other employers in the Public Service and Universities Academic Pension Plans (the "Plans"). These Plans provide pensions for the Centre's employees based on years of service and earnings.

The total unfunded pension liability for each plan as at September 30, 1997, was determined by actuarial valuations, as at December 31, 1995, for the Public Service plan and as at December 31, 1996, for the Universities Academic plan, both extrapolated to September 30, 1996 and September 30, 19971

The actuarial valuations use the projected benefit method prorated on service. This method determines the present value of the total estimated pension benefits attributable to services provided to the valuation date. Assumptions used in the valuations are based on the Pension Board's best estimate of future events. The Plans' future experience will inevitably differ, perhaps significantly, from the assumptions. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations and will be amortized over the expected average remaining service life of the employee group.

The Public Service Pension Plan liability is to be eliminated on or before December 31, 2036, and the Universities Academic Pension Plan liability is to be eliminated on or before December 31, 2043.

The Centre's pension liability is its portion of the Plans' total unfunded pension liability, including deferred adjustments arising from experienced gains and losses and changes in actuarial assumptions identified by new actuarial valuations.

The portion is based upon the ratio of pensionable earnings of the Centre's employees to the earnings of all employees in the Plans. The ratio is adjusted annually based upon the previous year's pensionable earnings of all employees in the Plans.

Pension expense includes pension obligations earned by employees during the year, interest on the unfunded pension liability, the amortization of deferred adjustments over the expected average remaining service life of employees, and the effect of the change in the ratio used to allocate the Plan's total unfunded liability to participating entities.

(h) Use of Estimates

These financial statements are prepared in accordance with generally accepted accounting principles which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Note 3 Accounts Receivable

	September 30, 1997	September 30, 1996
Trade accounts receivable	$ 3,802,846	$ 1,546,864
Current portion of pledges receivable (Note 4)	1,277,820	1,341,109
Accrued income	593,941	619,910
Accrued proceeds on sale of off-campus property	-	540,287
Capital grants receivable	-	116,480
	$ 5,674,607	$ 4,164,650

Note 4 Long-term Pledges Receivable

	September 30, 1997	September 30, 1996
Creative Edge capital pledges	$ 1,175,760	$ 1,686,415
Other non-capital pledges	1,805,292	2,300,654
	2,981,052	3,987,069
Less: Current portion of pledges receivable (Note 3)	1,277,820	1,341,109
	$ 1,703,232	$ 2,645,960

Note 5 Long-term Investments

	September 30, 1997		September 30, 1996	
	Cost	Market Value	Cost	Market Value
Cash	$ 55,081	$ 55,081	$ 108,551	$ 108,551
Government debt	1,162,333	1,253,924	1,090,451	1,112,128
Corporate debt	1,234,293	1,333,775	1,031,043	1,074,713
Equities	1,883,190	3,520,787	2,028,221	2,537,723
	$ 4,334,897	$ 6,163,567	$ 4,258,266	$ 4,833,115

The above investments are held in trust for the Center by the custodian of the endowment fund. In addition to these amounts, the Centre received a further contribution of $80,000 during the year, which had not been transferred to the custodian as of September 30, 1997.

Note 6 Capital Assets

	September 30, 1997			September 30, 1996
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land improvements	$ 2,466,578	$ 1,408,667	$ 1,057,911	$ 1,181,240
Buildings and improvements	64,048,783	19,801,244	44,247,539	42,416,742
Property under development	-	-	-	3,111,666
Furnishings and equipment	18,422,333	12,357,243	6,065,090	7,047,207
Equipment under capital lease	251,129	87,895	163,234	188,347
Artwork collection	1,081,545	-	1,081,545	1,033,043
	$ 86,270,368	$ 33,655,049	$ 52,615,319	$ 54,978,245

Land is leased from the Government of Canada. The current lease has a term of 42 years, expiring March 31, 2022, and is renewable.

Note 7 Bank Loans

	September 30, 1997	September 30, 1996
Related to operations	$ 2,401,116	$ 850,000
Related to construction	-	5,500,000
	$ 2,401,116	$ 6,350,000

The bank loans related to operations are unsecured and repayable on demand. The bank loan related to construction was converted to a 5 year note payable at 6.78% amortized over twenty years (note 11).

Note 8 Accounts Payable

	September 30, 1997	September 30, 1996
Accounts payable and accrued liabilities	$ 1,620,587	$ 1,117,055
Construction payables and holdbacks	-	1,708,446
	$ 1,620,587	$ 2,825,501

Note 9 Unearned Revenue

	September 30, 1997	September 30, 1996
Tuition fees	$ 343,835	$ 384,558
Accommodation deposits	394,991	94,950
Other sales and services	147,681	117,753
	$ 886,507	$ 597,261

Note 10 Deferred Contributions

Deferred contributions represent amounts received that have not been spent but are externally restricted for either capital or non-capital purposes. Changes in deferred contributions are as follows:

	September 30, 1997	September 30, 1996
Contributions received during the year:		
Grants		
Province of Alberta	$ 43,061	$ 150,910
Government of Canada	204,626	13,500
Other donations and contributions	619,898	512,558
Investment income	521,389	198,583
Transferred to revenue:		
Donations and contributions	(1,140,473)	(350,806)
Investment income	(524,952)	(203,292)
Transferred to deferred expended capital contributions (Note 13)	(196,818)	(267,743)
	(473,269)	53,710
Deferred contributions at beginning of period	3,161,972	3,108,262
Deferred contributions at end of period	$ 2,688,703	$ 3,161,972
Deferred contributions is comprised of:		
Capital	$ 218,139	$ 243,701
Non-capital	2,470,564	2,918,271
	2,688,703	3,161,972
Less: Current portion of non-capital deferred contributions	1,219,333	1,204,422
	$ 1,469,370	$ 1,957,550

Note 11 Long-Term Debt

	Maturity Date	Interest Rate	September 30, 1997	September 30, 1996
Debenture				
Corbett Hall	May 1, 1998	7.50%	$ 34,099	$ 62,255
Note Payable				
Lloyd Hall 3rd Wing	April 1, 2014	7.88%	1,121,438	1,187,379
Term Loan				
Professional Development Centre	January 1, 2002	6.78%	5,316,664	-
Capital Lease	July 1, 1998	11.65%	46,098	101,698
			6,518,299	1,351,332
Less: Principal payments due within one year			421,142	151,494
			$ 6,097,157	$ 1,199,838

The note payable is guaranteed by the Province of Alberta.

	September 30, 1997	September 30, 1996
Interest expense		
Debenture and note payable	$ 354,339	$ 59,565
Capital leases	9,477	7,244
	$ 363,816	$ 66,809

Principal and minimum lease payments for the next five years:

Year Ending September 30	Loans and Debenture	Capital Leases Payment	Capital Leases Interest	Operating Leases	Total
1998	$ 375,044	$ 46,098	$ 2,711	$ 63,772	$ 487,625
1999	340,945	-	-	29,191	370,136
2000	340,945	-	-	20,948	361,893
2001	340,945	-	-	-	340,945
2002	340,945	-	-	-	340,945

Note 12 Pension Liability

	September 30, 1997	September 30, 1996
Public Service Pension Plan	$ 195,844	$ 443,000
Universities Academic Pension Plan	848,000	1,496,000
	$ 1,043,844	$ 1,939,000

Pension Valuation Adjustment

During the year, the Centre recorded a pension valuation adjustment to recognize the reduction in the pension liability resulting from reduced plan membership, wage restraints, and changes to the investment strategies of the pension plan.

Note 13 Deferred Expended Capital Contributions

Deferred expended capital contributions represent the external funding of capital assets which will be recognized as revenue in future periods. Changes in deferred expended capital contributions are as follows:

	September 30, 1997	September 30, 1996
Deferred expended capital contributions at beginning of period	$ 40,857,946	$ 41,814,501
Transferred from deferred contributions to acquire capital assets (Note 10)	196,818	267,743
Transferred to revenue	(2,123,714)	(1,224,298)
Deferred expended capital contribution at end of period	$ 38,931,050	$ 40,857,946

Note 14 Operating Net Assets

	Unrestricted	Investment in Capital Assets	September 30, 1997	September 30, 1997
Operating net assets at beginning of period	$ (1,573,902)	$ 7,268,953	$ 5,695,051	$ 6,621,948
Net income (loss)	709,576	-	709,576	(931,036)
Internally funded:				
Capital acquisitions	(252,281)	252,281	-	-
Amortization and loss (gain) on disposal of capital assets	736,799	(736,799)	-	-
Contributed artwork	-	48,502	48,502	45,979
Repayment of long-term debt	(333,033)	333,033	-	-
Endowment capitalized investment income	(76,131)	-	(76,131)	(41,840)
Operating net assets at end of period	$ (788,972)	$ 7,165,970	$ 6,376,998	$ 5,695,051

Note 15 Endowments

	September 30, 1997	September 30, 1996
Endowments at beginning of period	$ 4,258,266	$ 4,214,126
Contributions received	80,500	2,300
Capitalized investment income	76,131	41,840
Endowments at end of period	$ 4,414,897	$ 4,258,266

During the period, investment income earned on endowments was recorded according to stipulations as follows:

	September 30, 1997	September 30, 1996
Transferred (from) to deferred revenue	$ (7,105)	$ (7,242)
Recognized as contributed artwork	5,857	3,542
Recognized as revenue	524,952	207,471
Investment income earned	$ 523,704	$ 203,771

Note 16 Grants

	September 30, 1997	September 30, 1996
Based operating grant:		
Province of Alberta, Department of Advanced Education and Career Development	$ 8,826,747	$ 4,413,374
Other grants:		
Province of Alberta	18,558	35,783
Government of Canada	601,397	194,354
	619,955	230,137
	$ 9,446,702	$ 4,643,511

Note 17 Changes in Non-cash Working Capital

	September 30, 1997	September 30, 1996
Accounts receivable (excluding pledges and capital receivables)	$ (2,230,014)	$ 152,842
Inventories	28,610	(261,460)
Prepaid expenses	188,746	(257,582)
Accounts payable and accrued liabilities	503,532	(134,192)
Accrued vacation pay	(4,028)	(3,491)
Unearned revenue	289,246	270,383
	$ (1,223,908)	$ (233,500)

ALBERTA VOCATIONAL COLLEGE - EDMONTON
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 1, 1997

AUDITOR'S REPORT

To the Minister of Advanced Education and Career Development and the
Board of Governors of Alberta Vocational College - Edmonton

I have audited the consolidated statement of financial position of Alberta Vocational College - Edmonton as at September 1, 1997. This financial statement is the responsibility of the College's management. My responsibility is to express an opinion on the financial statement based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, this consolidated financial statement presents fairly the financial position of the College as at September 1, 1997 in accordance with generally accepted accounting principles.

Original signed by
Peter Valentine, FCA
Auditor General

Edmonton, Alberta
November 21, 1997

ALBERTA VOCATIONAL COLLEGE - EDMONTON
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 1, 1997

(Note 1)

ASSETS

Current:		
Cash (Note 4)	$	161,509
Due from the Department of Advanced Education and Career Development (Note 5)		1,316,435
Inventories (Note 6)		161,152
		1,639,096
Cash restricted for endowment purposes (Note 7)		20,000
Capital assets (Note 8)		1,955,361
	$	3,614,457

LIABILITIES AND DEFICIT

Current:		
Accrued vacation pay and other payroll liabilities	$	733,573
Unearned revenue (Note 9)		676,086
Deferred contributions (Note 10)		318,861
Accrued goods and services tax payable		44,149
		1,772,669
Pension liability (Note 11)		602,346
Unamortized deferred capital contributions (Note 12)		1,955,361
		4,330,376
Deficit:		
Opening deficit (Note 13)		(735,919)
Restricted for endowment purposes		20,000
		(715,919)
	$	3,614,457

The accompanying notes are part of this consolidated financial statement.

ALBERTA VOCATIONAL COLLEGE - EDMONTON
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT
SEPTEMBER 1, 1997

Note 1 **Authority and Purpose**

On May 14, 1997, the Lieutenant Governor in Council established the Alberta Vocational College - Edmonton (the "College") as a public college under the authority of the Colleges Act, Chapter C-18, Revised Statutes of Alberta 1980, as amended.

Serving primarily communities in central Alberta, the College provides instruction and training to assist adult learners through academic upgrading programs; career entry training in business, health, trades, technical and service industries; and English as a second language programs. The College maintains a special interest in providing programs and services to aboriginal communities.

Also on May 14, 1997, the Lieutenant Governor in Council established an interim governing authority to operate the College until a college board was appointed. The interim governing authority was directed to offer employment to employees of the existing institution administered by the Department of Advanced Education and Career Development (the "Department"). A Board of Governors was appointed on April 1, 1998 to replace the interim governing authority.

Effective September 1, 1997, the College commenced operations as a public vocational college under the jurisdiction of an interim governing authority and the College assumed certain assets, liabilities and operations from the Department, pursuant to a Ministerial Order. In addition, the employment of the majority of employees transferred to the College.

The land and buildings occupied by the College are currently owned and administered by the Department of Public Works, Supply and Services. While responsibility for ongoing maintenance of the buildings has been transferred to the College effective April 1, 1998, the timing of the transfer of legal ownership of certain land and building has not been determined.

Note 2 Basis of Presentation

This financial statement has been prepared at the request of the Department to report the financial position of the College as at September 1, 1997, and includes the assets, liabilities and operations transferred to the College.

In addition, this financial statement includes the accounts of the AVC Educational Society (the "Society"). The Society was established in 1987 under the Alberta Business Corporations Act, Section 171 to establish and co-ordinate activities and generate funds for the sole benefit of disadvantaged students at the College and its regional locations. The Society is a registered charitable organization and is exempt from the payment of income tax.

Note 3 Significant Accounting Policies and Reporting Practices

(a) Inventories

Inventories of merchandise held for resale are valued at the lower of cost and net realizable value. Inventories of supplies held for consumption are valued at the lower of cost and replacement value.

(b) Capital Assets

Capital assets are recorded at cost. For capital assets transferred from the Department, cost is the Department's net carrying amount at September 1, 1997, the date of transfer. Capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Furniture, equipment and vehicles	10 years
Library holdings	10 years
Computer equipment	5 years
Rental books	5 years

(c) Pension Liability

The College and its eligible employees participate in the Province of Alberta's Public Service Pension Plan and the Management Employees Pension Plan. The Public Sector Pension Plans Act specifies the basis for determining the amount of the total unfunded liability for the plans which will be funded by employers.

The College's pension liability is its portion of the total unfunded pension liabilities of each Plan, including deferred adjustments arising from experience gains and losses and changes in actuarial assumptions identified by new actuarial valuations. The College's portion is based on the ratio of pensionable earnings of the College's employees to the pensionable earnings of all employees of each Plan. The ratio is adjusted annually based upon the previous year's pensionable earnings of all employees in each Plan.

The actuarial valuations for the pension plans were determined using the projected benefit method prorated on service. Assumptions used in the valuations are based on the Pension Board's best estimate of future events. The plans future experience will differ, perhaps significantly, from the assumptions. Any differences between the actuarial assumptions and future experience emerge as gains or losses in future valuations. Gains and losses which relate to the long term are amortized over the expected average remaining service life of the employee group. Gains and losses for which there is reasonable assurance regarding their measurement and realization are recognized in income immediately.

Note 4 Cash

Cash includes deposits of $140,720 in the Consolidated Cash Investment Trust Fund ("CCITF") of the Province of Alberta. The CCITF is managed with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term and mid-term fixed income securities with a maximum term to maturity of five years. Interest is earned on the daily cash balance at the average rate earnings of the CCITF which varies depending on prevailing market interest rates.

Cash totalling $157,709, including the above, is externally restricted by contributors for bursaries, scholarships, awards and student assistance.

Note 5 Due from the Department of Advanced Education and Career Development

Unearned revenue held by the Department	$ 676,086
Operating reserve grant receivable	600,000
Goods and services tax non-recoverable on the transfer of capital assets	44,149
Less accountable advance repayable to the Department	(3,800)
	$ 1,316,435

The operating reserve grant was provided by the Department to assist the College in the transition to Board governance. The funds are applied, firstly, to the liabilities assumed from the Department, excluding the pension liability. Any remaining funds are applied to meet additional costs incurred during the transition. Since accrued vacation pay and other payroll liabilities as at September 1, 1997 exceed $600,000, the total grant is recorded as a reduction to the opening deficit (Note 13).

Note 6 Inventories

Campus store	$ 144,992
Printing supplies	16,160
	$ 161,152

Note 7 Cash Restricted for Endowment Purposes

Cash restricted for endowment purposes is maintained as deposits in the Consolidated Cash Investment Trust Fund ("CCITF") of the Province of Alberta (see Note 4). The cash represents restricted contributions subject to stipulations specifying that the principal be maintained permanently, although the constituent assets may change from time to time. Investment earnings are to be used for purposes as designated by the contributors.

Note 8 Capital Assets

Computer equipment	$ 802,068
Rental books	430,204
Furniture, equipment and vehicles	224,387
Library holdings	498,702
	$ 1,955,361

Note 9 Unearned Revenue

Contract programs	$ 255,605
Tuition fees	240,688
Ancillary services and other	179,793
	$ 676,086

Note 10 Deferred Contributions

Deferred contributions represent externally restricted contributions and inventories contributed by the Department related to expenses of future periods which will be recognized as revenue in the period in which the related expenses are incurred. Restricted contributions transferred from the Department have been designated by external parties for bursaries, scholarships, awards and student assistance. Deferred contributions are comprised of:

Contributed inventories	$ 161,152
Restricted contributions transferred from the Department	157,709
	$ 318,861

The Department intends to reduce the 1997-98 operating grant to the College by the amount of contributed inventories.

Note 11 Pension Liability

The College participates with other employers in the Province of Alberta's Public Service Pension Plan and Management Employees Pension Plan. These plans provide pensions for the College's employees based on years of service and earnings.

The College's portion of unfunded pension liability to each plan transferred from the Department as at September 1, 1997, was estimated as follows:

Public Service Pension Plan	$ 529,871
Management Employees Pension Plan	72,475
	$ 602,346

The total unfunded pension liability for each plan was determined by an actuarial valuation as at December 31, 1995 for the Public Service Pension Plan and as at December 31, 1994 for the Management Employees Pension Plan, both extrapolated to September 1, 1997.

Note 12 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent contributed capital assets that will be amortized. These contributions will be recognized as revenue on the same basis as the amortization expense related to the capital assets.

Note 13 Opening Deficit

The transfer of assets, liabilities and operations from the Department on September 1, 1997 has resulted in a consolidated opening deficit of $735,919. This deficit results from the following capital transactions:

Assumption of liabilities:	
Accrued vacation pay and other liabilities	$ 733,573
Pension liability	602,346
	1,335,919
Contribution of asset:	
Operating reserve grant receivable from the Department	(600,000)
	$ 735,919

Note 14 Related Parties

Department of Advanced Education and Career Development

Effective September 1, 1997, the Department contributed capital assets; including furniture, computer and other equipment, vehicles and library and rental books, with a carrying value of $1,955,361 to the College. This amount is included in capital assets and unamortized deferred capital contributions. Inventories totalling $161,152 were also contributed by the Department.

As at September 1, 1997, the College held, on behalf of the Department, an accountable advance of $3,800. This amount is deducted from the Due From the Department.

Department of Public Works, Supply and Services

The Department of Public Works, Supply and Services currently owns or leases, on behalf of the College, virtually all space occupied by the College. The possibility exists that responsibility for costs related to certain premises may be transferred from the Department of Public Works, Supply and Services to the College. Funding arrangements for such costs have not yet been determined.

The Department of Public Works, Supply and Services also pays for all janitorial services, utilities, maintenance, repairs, renovations, grounds keeping and snow removal. Effective April 1, 1998 this responsibility has transferred to the College along with a corresponding increase in grants to fund the additional costs.

Note 15 Contingent Liability

In the transition process, the College and Department have committed to the guiding principle that employees not be disadvantaged by the change in their employment. Employees are permitted to remain as participants of the Public Service Pension Plan and the Management Employees Pension Plan until December 31, 1998. The possibility exists that the transfer of employees from the current pension plans to the Local Authorities Pension Plan after December 31, 1998 may result in reduced pension benefits for some employees which the College or the Department would likely be obligated to address. Since the outcome of the negotiations relating to the transfers cannot be predicted at this time, an estimate of the amount of the contingent loss cannot be made. Accordingly, a liability has not been accrued in this financial statement.

Note 16 Approval of Financial Statement

This financial statement was approved by the Board of Governors of the College.

ALBERTA VOCATIONAL COLLEGE - LAC LA BICHE
STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 1, 1997

AUDITOR'S REPORT

To the Minister of Advanced Education and Career Development and the
Board of Governors of Alberta Vocational College - Lac La Biche

I have audited the statement of financial position of Alberta Vocational College - Lac La Biche as at September 1, 1997. This financial statement is the responsibility of the College's management. My responsibility is to express an opinion on the financial statement based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, this financial statement presents fairly the financial position of the College as at September 1, 1997 in accordance with generally accepted accounting principles.

Original signed by
Peter Valentine, FCA
Auditor General

Edmonton, Alberta
November 21, 1997

ALBERTA VOCATIONAL COLLEGE - LAC LA BICHE
STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 1, 1997
(Note 1)

ASSETS	
Current:	
Cash (Note 4)	$ 265,422
Due from the Department of Advanced Education and Career Development (Note 5)	782,559
Due from 391158 Alberta Society	64,038
Inventories (Note 6)	96,435
Prepaid expenses	44,954
	1,253,408
Cash restricted for endowment purposes (Note 7)	25,000
Capital assets (Note 8)	1,270,717
	$ 2,549,125
LIABILITIES AND DEFICIT	
Current:	
Accrued vacation pay	$ 271,601
Unearned revenue (Note 9)	366,047
Deferred contributions (Note 10)	615,760
	1,253,408
Pension liability (Note 11)	410,060
Unamortized deferred capital contributions	1,270,717
	2,934,185
Deficit:	
Opening deficit (Note 12)	(410,060)
Restricted for endowment purposes	25,000
	(385,060)
	$ 2,549,125

The accompanying notes are part of this financial statement.

ALBERTA VOCATIONAL COLLEGE - LAC LA BICHE
NOTES TO THE FINANCIAL STATEMENT
SEPTEMBER 1, 1997

Note 1 Authority and Purpose

On May 14, 1997, the Lieutenant Governor in Council established the Alberta Vocational College - Lac La Biche (the "College") as a public college under the authority of the Colleges Act, Chapter C-18, Revised Statues of Alberta 1980, as amended. The College is a registered charity under the Income Tax Act and is exempt from the payment of income tax.

Serving primarily communities in northeastern Alberta, the College provides instruction and training to assist adult learners through academic upgrading programs and career entry training in business, human services, trades, technical and service industries. The College maintains a special interest in providing programs and services to aboriginal communities.

Also on May 14, 1997, the Lieutenant Governor in Council established an interim governing authority to operate the College until a college board was appointed. The interim governing authority was directed to offer employment to employees of the existing institution administered by the Department of Advanced Education and Career Development (the "Department"). A Board of Governors was appointed on April 1, 1998 to replace the interim governing authority.

Effective on September 1, 1997, the College commenced operations as a public vocational college under the jurisdiction of an interim governing authority and the College assumed certain assets, liabilities and operations from the Department, pursuant to a Ministerial Order. In addition, the employment of the majority of employees transferred to the College.

The land, buildings and trailers occupied by the College are currently owned and administered by the Department of Public Works, Supply and Services. While responsibility for ongoing maintenance of the buildings and trailers has been transferred to the college effective April 1, 1998, the timing of the transfer of legal ownership of certain land, buildings and trailers has not been determined.

Note 2 Basis of Presentation

This financial statement has been prepared at the request of the Department to report the financial position of the College as at September 1, 1997, and includes the assets, liabilities and operations transferred to the College.

This financial statement does not include the accounts of 391158 Alberta Society (the "Society"), which provides residential and housing services and operates a bookstore under contract with the College. The Society's operations are an integral part of College operations and the College, therefore, has a significant economic interest in the Society. Information about the Society's total assets, liabilities and net assets at as September 1, 1997 is disclosed in Note 13. The Society's financial statements for the year ended June 30, 1997 have been reported on by another auditor and are available to interested parties on request.

Note 3 Significant Accounting Policies and Reporting Practices

(a) Revenue Recognition

Externally restricted non-capital contributions are deferred and will be recognized as revenue in the period in which the related expenses are incurred.

Externally restricted capital contributions are recorded as deferred contributions. When the assets are acquired, the amount representing contributed capital assets that will be amortized is transferred to unamortized deferred capital contributions, and the amount representing contributed capital assets that will not be amortized, such as land, is recorded as a direct increase in net assets.

Unamortized deferred capital contributions will be recognized as revenue in the periods in which the related capital assets are amortized.

Externally restricted contributions for endowment purposes are recorded as direct increases in net assets.

Amounts received prior to September 1, 1997 for tuition fees, contract programs and sales, rentals and other services that relate to programs, goods and services provided after August 31, 1997, are classified as unearned revenue and will be recognized as revenue in the period the programs, goods and services are provided.

(b) Endowments

Endowments represent externally restricted contributions where the principal is to be kept intact. Restricted investment earnings are included in deferred contributions and are to be used for designated purposes only.

(c) Capital Assets

Capital assets are recorded at cost. For capital assets transferred from the Department, cost is the Department's net carrying amount at September 1, 1997, the date of transfer.

Capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Furniture, vehicles and other equipment	5 - 10 years
Library	5 - 10 years
Computer equipment	4 years

(d) Inventories

Inventories for resale are valued at the lower of cost, or estimated cost, and net realizable value. Consumable inventories are recorded at the lower of cost and replacement value.

(e) Pension Liability

The College and its eligible employees participate in the Province of Alberta's Public Service Pension Plan and the Management Employees Pension Plan. The Public Sector Pension Plans Act specifies the basis for determining the amount of the total unfunded liability for the plans which will be funded by employers.

The College's pension liability is its portion of the total unfunded pension liabilities of each Plan, including deferred adjustments arising from experience gains and losses and changes to actuarial assumptions identified by new actuarial valuations. The College's portion is based on the ratio of pensionable earnings of the College's employees to the pensionable earnings of all employees of each Plan. The ratio is adjusted annually based upon the previous year's pensionable earnings of all employees in each Plan.

The actuarial valuations for the pension plans were determined using the projected benefit method prorated on service. Assumptions used in the valuations are based on the Pension Board's best estimate of future events. The plans future experience will differ, perhaps significantly, from the assumptions. Any differences between the actuarial assumptions and future experience emerge as gains or losses in future valuations. Gains and losses which relate to the long term are amortized over the expected average remaining service life of the employee group. Gains and losses for which there is reasonable assurance regarding their measurement and realization are recognized in income immediately.

Note 4 Cash

Cash includes deposits of $258,672 in the Consolidated Cash Investment Trust Fund ("CCITF") of the Province of Alberta. The CCITF is managed with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term and mid term fixed income securities with a maximum term to maturity of five years. Interest is earned on a daily cash balance at the average rate of earnings of the CCITF which varies depending on prevailing market interest rates.

These deposits are externally restricted by contributors for purposes of the College including scholarships, bursaries, awards and student assistance.

Note 5 Due from the Department of Advanced Education and Career Development

This receivable is summarized as follows:

Operating reserve grant receivable	$ 400,000
Unearned revenue held by the Department	366,047
Contribution to scholarships	23,262
Less cash held by the College repayable to the Department	(6,750)
	$ 782,559

The operating reserve grant was provided by the Department to assist the College in the transition to Board governance. The funds are applied, firstly, to the liabilities assumed from the Department, excluding the pension liability. Any remaining funds are applied to meet additional costs incurred during the transition, as follows:

Operating reserve grant applied to accrued vacation pay liability (Note 12)	$ 271,601
Operating reserve grant applied to future expenses (Note 10)	128,399
Total operating reserve grant	$ 400,000

Note 6 Inventories

Inventories are summarized as follows:

Native cultural art supplies	$ 45,433
Cafeteria supplies	16,684
Printing supplies	9,496
Other supplies and materials	24,822
	$ 96,435

Note 7 Cash Restricted for Endowment Purposes

Cash restricted for endowment purposes is maintained as deposits in the Consolidated Cash Investment Trust Fund ("CCITF") of the Province of Alberta (see Note 4). The cash represents restricted contributions subject to stipulations specifying that the principal be maintained permanently, although the constituent assets may change from time to time. Investment earnings are to be used for purposes as designated by the contributors.

Note 8 Capital Assets

Computer equipment	$ 693,973
Library	364,710
Furniture, vehicles and other equipment	212,034
	$ 1,270,717

Note 9 Unearned Revenue

Unearned revenue is summarized as follows:

Program funding	$ 325,188
Tuition fees	40,210
Other	649
	$ 366,047

Note 10 Deferred Contributions

Deferred contributions represent unspent, externally restricted contributions, inventories and prepaid expenses contributed by the Department. Externally restricted contributions are transferred from the Department since the Department has delegated signing authority for these accounts to the College. The contributors have stipulated that these funds be spent for the purposes of the College including scholarships, bursaries, awards and student assistance. Deferred contributions are comprised of:

Restricted contributions transferred from the Department	$ 345,972
Operating reserve grant receivable from the Department (Note 5)	128,399
Contributed inventories	96,435
Contributed prepaid expenses	44,954
	$ 615,760

The Department intends to reduce the 1997-98 operating grant to the College by the amount of contributed inventories and prepaid expenses.

Note 11 Pension Liability

The College participates with other employers in the Province of Alberta's Public Service Pension Plan and Management Employees Pension Plan. These plans provide pensions for the College's employees based on years of service and earnings.

The College's portion of unfunded pension liability to each plan transferred from the Department as at September 1, 1997, was estimated as follows:

Public Service Pension Plan	$ 255,321
Management Employees Pension Plan	154,739
	$ 410,060

The total unfunded pension liability for each plan was determined by an actuarial valuation as at December 31, 1995 for the Public Service Pension Plan, and as at December 31, 1994 for the Management Employees Pension Plan, both extrapolated to September 1, 1997. The liabilities are to be eliminated on or before December 31, 2043 for the Management Employees Pension Plan and December 31, 2038 for the Public Service Pension Plan.

Note 12 Opening Deficit

The transfer of assets, liabilities and operations from the Department on September 1, 1997 has resulted in an opening deficit of $410,060. This deficit results from the following capital transactions:

Assumption of liabilities:	
Pension liability	$ 410,060
Accrued vacation pay	271,601
	681,661
Contribution of asset:	
Operating reserve grant receivable from the Department (Note 5)	(271,601)
	$ 410,060

Note 13 Controlled Entity - 391158 - Alberta Society

As a result of an assignment of agreements by the Minister of the Department through Ministerial Order effective September 1, 1997, the College acquired a significant economic interest in 391158 -Alberta Society (the "Society"). The Society is a not-for-profit organization incorporated under the Societies Act of the Province of Alberta to provide services to College staff, students and families of students. Through contractual agreements the Society operates residential and housing services for College students and their families and also operates a bookstore to provide books and supplies to College students and staff. The Society's operations are an integral part of the College and the College has a significant economic interest in the Society's operations. Through the contractual agreements, the College controls pricing and a significant part of its operating decisions, and as a result, can significantly impact the surplus or deficit of the Society.

The Department of Public Works, Supply and Services, in conjunction with the College as primary tenant and custodian of the buildings, provides the Society at no charge, the housing and residential complexes that are rented to students, the space needed to operate a bookstore, janitorial services, ground maintenance, snow removal, landscaping, repairs, renovations, capital equipment, utilities, telephone (excluding long distance), and parking spaces. The cost to repair damage resulting from neglect and vandalism, however, are recovered by the Department of Public Works, Supply and Services from the Society.

The term of the current contract for housing and residential services is July 1, 1995 to June 30, 1998. According to the agreement, the Society is required to pay $20,000 annually to the College prior to December 31. The amount has been waived by the College for the current year. The term of the current contract for bookstore services is July 1, 1995 to June 30, 1998. According to the agreement, the Society is required to pay the College $15,000 by January 1, 1998. This amount has also been waived by the College.

The assets and liabilities of the Society have not been included in this financial statement. A summary of the financial position of the Society as at September 1, 1997 follows. Since significant economic interest in the Society was not established until September 1, 1997, information on the results of its operations are not included.

391158 Alberta Society
Summary Financial Information

Total assets	$ 385,995
Total liabilities	$ 149,356
Total net assets[(1)]	236,639
	$ 385,995

(1) The Society is required to allocate annually an amount to a reserve fund for the future replacement of capital assets. $103,645 is the balance of this reserve as at September 1, 1997. The remaining net assets are restricted for the objects of the Society which are to provide services to College staff, students and families of students. The Society's liabilities include $64,038 payable to the College which represents overpayments by students to the bookstore. When received by the College the funds will be used to set up a scholarship fund for students of the College.

Note 14 Significantly Influenced Entity - Lac La Biche Childcare Association

The College exercises significant influence over the Lac La Biche Childcare Association (the Childcare Association) through a contractual arrangement whereby the children of students of the College are given priority placement and a maximum enrolment fee of $520 per month per child. The current term of this agreement is July 1, 1997 to June 30, 1998. The Department of Public Works, Supply and Services provides the Childcare Association, at no charge, the space needed to operate a daycare, caretaking services, repairs, heating, lighting, telephone, parking spaces and furniture and equipment. The College provides $31,500 annually to the Childcare Association for its operations. The Childcare Association is incorporated under the Societies Act of the Province of Alberta and exists to provide daycare services to Lac La Biche and surrounding communities.

Note 15 Related Parties

Portage Aquatic Association

The Portage Aquatic Association (the Aquatic Association) was incorporated under the Alberta Business Corporations Act. It operates the Portage Aquatic Centre (the Pool) with the objective to encourage, promote and provide aquatic training and recreational opportunities to prospective patrons. The construction of the Pool was jointly funded by the town of Lac La Biche (ID #18), contributions from individuals, the Department of Public Works, Supply and Services and matching grants from the Department of Advanced Education and Career Development. The Department of Public Works, Supply and Services currently has legal ownership of the Pool. Operating control over the Pool has been given to the board of the Aquatic Association which operates independently from the College and the Province of Alberta.

The College has an agreement with the Aquatic Association for the Aquatic Association to make available aquatic training and recreational opportunities to College staff and students. Under the current agreement from March 31, 1995 to March 31, 1998, the College pays the Aquatic Association an annual fee of $40,000. The Department of Public Works, Supply and Services provides the Portage Aquatic Association, at no charge, the custody and use of the Pool, caretaking services, grounds maintenance, snow removal, landscaping, repairs, renovations, utilities, telephone (except long distance), pool chemicals and parking stalls for staff and patrons.

Department of Advanced Education and Career Development

Effective September 1, 1997, the Department contributed capital assets with a carrying value of $1,270,717 to the College. This included furniture, computer and other equipment, vehicles and library. This amount is included in capital assets and unamortized deferred capital contributions. The Department also contributed the inventories and prepaid expenses totalling $141,389 to the College which are included in deferred contributions.

Department of Public Works, Supply and Services

The Department of Public Works, Supply and Services currently owns or leases on behalf of the College virtually all space occupied by the College. The possibility exists that responsibility for costs related to certain premises may be transferred from the Department of Public Works, Supply and Services to the College. Funding arrangements for such costs have not yet been determined.

The Department of Public Works, Supply and Services also pays for all janitorial services, utilities, maintenance, repairs, renovations, grounds keeping, and snow removal. Effective April 1, 1998, this responsibility has transferred to the College along with a corresponding increase in grants to fund the additional costs.

Note 16 Contingent Liability

In the transition process, the College and Department have committed to the principle that employees not be disadvantaged by the change in their employment. Employees are permitted to remain as participants of the Public Service Pension Plan and the Management Employees Pension Plan until December 31, 1998. The possibility exists that the transfer of employees from the current pension plans to the Local Authorities Pension Plan may result in reduced pension benefits for some employees which the College or the Department would likely be obligated to address. Since the outcome of the negotiations relating to the transfers cannot be predicted at this time, an estimate of the amount of the contingent loss cannot be made. Accordingly, a liability has not been accrued in this financial statement.

Note 17 Approval of Financial Statement

This financial statement was approved by the Board of Governors of the College.

ALBERTA VOCATIONAL COLLEGE - LESSER SLAVE LAKE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 1, 1997

AUDITOR'S REPORT

To the Minister of Advanced Education and Career Development and the
Board of Governors of Alberta Vocational College - Lesser Slave Lake

I have audited the consolidated statement of financial position of Alberta Vocational College - Lesser Slave Lake as at September 1, 1997. This financial statement is the responsibility of the College's management. My responsibility is to express an opinion on the financial statement based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, this consolidated statement of financial position presents fairly the financial position of the College as at September 1, 1997 in accordance with generally accepted accounting principles.

Original signed by
Peter Valentine, FCA
Auditor General

Edmonton, Alberta
June 29, 1998

ALBERTA VOCATIONAL COLLEGE - LESSER SLAVE LAKE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 1, 1997
(Note 1)

ASSETS	
Current:	
Cash and short-term investments (Note 4)	$ 1,532,529
Due from the Department of Advanced Education and Career Development (Note 5)	561,315
Accounts receivable	37,011
Inventories (Note 6)	357,483
Prepaid expenses	13,064
	2,501,402
Cash restricted for endowment purposes (Note 4)	20,000
Capital assets and collections (Note 7)	2,352,128
	$ 4,873,530
LIABILITIES AND NET ASSETS	
Current:	
Accounts payable	$ 146,837
Accrued vacation pay	500,000
Unearned revenue (Note 8)	11,114
Deferred contributions (Note 9)	772,920
Security deposits held	22,779
Current portion of long-term debt (Note 10)	216,894
	1,670,544
Long-term debt (Note 10)	310,834
Pension liability (Note 11)	508,916
Unamortized deferred capital contributions (Note 12)	1,520,153
	4,010,447
Net assets:	
Opening surplus (Note 13)	538,836
Invested in capital assets	304,247
Restricted for endowment purposes	20,000
	863,083
	$ 4,873,530

The accompanying notes are part of this financial statement.

ALBERTA VOCATIONAL COLLEGE - LESSER SLAVE LAKE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT
SEPTEMBER 1, 1997

Note 1 Authority and Purpose

On May 14, 1997, the Lieutenant Governor in Council established the Alberta Vocational College - Lesser Slave Lake (the "College") as a public college under the authority of the Colleges Act, Chapter C-18, Revised Statues of Alberta 1980, as amended. The College is exempt from the payment of income taxes.

Serving primarily communities in north central Alberta, the College provides quality educational programs and services which enable adults to continue their education, to improve their employment opportunities, and to enhance their quality of life. The College accomplishes its mission and mandate for services through: direct and distance delivered programs and courses; numerous credit and non-credit offerings; brokerage and collaborative arrangements; partnerships with business, industry, institutions and agencies; extensive learner support services, and on-site instruction and self-paced curriculum and testing. There is a structured network of community involvement in needs definition, student and staff selection, and assessment of College effectiveness; and use of technology to provide affordable and accessible programs and services to a wide geographic area.

Also on May 14, 1997, the Lieutenant Governor in Council established an interim governing authority to operate the College until a college board was appointed. The interim governing authority was directed to offer employment to employees of the existing institution administered by the Department of Advanced Education and Career Development (the "Department"). A Board of Governors was appointed on April 1, 1998 to replace the interim governing authority.

Effective on September 1, 1997, the College commenced operations as a public vocational college under the jurisdiction of an interim governing authority and the College assumed certain assets, liabilities and operations from the Department, pursuant to a Ministerial Order. In addition, the employment of the majority of employees transferred to the College.

The land, buildings and some trailers occupied by the College are currently owned and administered by the Departments of Public Works, Supply and Services and Environmental Protection. While responsibility for ongoing maintenance of the buildings and trailers has been transferred to the college effective April 1, 1998, the timing of the transfer of legal ownership of certain land, buildings and trailers has not been determined.

Note 2 Basis of Presentation

This financial statement has been prepared at the request of the Department to report the financial position of the College as at September 1, 1997, and includes the assets, liabilities and operations transferred to the College.

In addition, this financial statement includes the accounts of the Council of Community Education Committees Society of Alberta Vocational College - Lesser Slave Lake (the "CCEC") and the Sunrise Higher Education Foundation. Both entities operate under the Alberta Societies Act and are registered charitable organizations for income tax purposes. The CCEC acts as a partner with the College in reviewing, monitoring and advising on college service priorities in addition to operating and managing numerous programs and courses. The CCEC is made up of 21 education committees representing numerous community agencies and organizations in north central Alberta. The Sunrise Higher Education Foundation manages a cooperative university transfer program which provides full time program advisors and study skills tutors to assist students in developing the skills necessary to succeed.

Note 3 Significant Accounting Policies and Reporting Practices

(a) Revenue Recognition

Unrestricted contributions are recognized as revenue in the period in which they are received.

Externally restricted non-capital contributions are recorded as deferred contributions and recognized as revenue in the period the related expenses are incurred. Non-capital donations of materials and services that would otherwise have been purchased are accounted for as externally restricted non-capital contributions, at fair value when a fair value can be reasonably estimated.

Externally restricted capital contributions are recorded as deferred contributions until the related capital asset is acquired. Contributions for capital assets that will be amortized are transferred to unamortized deferred capital contributions in the period the asset is acquired. Contributions for capital assets that will not be amortized, such as land, are not transferred to unamortized deferred capital contributions or recognized as revenue, but are recorded as direct increases in net assets in the period the asset is acquired. Capital donations of assets that would otherwise have been purchased are accounted for as externally restricted capital contributions, at fair value when a fair value can be reasonable estimated.

Unamortized deferred capital contributions are recognized as revenue in the periods the related capital assets are amortized. Unamortized deferred capital contributions relating to capital assets disposed of are recognized as revenue in the period of disposal, provided that all restrictions have been complied with.

Externally restricted contributions made for endowment purposes are not recognized as revenue, but are recorded as direct increases in net assets.

Investment income on unrestricted contributions and internally restricted endowments is recognized as revenue in the current period. Investment income on externally restricted contributions is accounted for on the same basis as the related contributions. Investment income on externally restricted endowments is recorded as deferred contributions and recognized as revenue in the period the related expenses are incurred.

Government grants are accounted for as unrestricted or externally restricted contributions in accordance with the terms of funding.

Amounts received for tuition and other student fees, contract programs and sales, rentals and services, are recorded as unearned revenue and recognized as revenue in the period the goods are delivered or the services are provided.

Revenue on logging and hauling contracts is recognized on the percentage of completion basis as calculated by reference to tonnes of logs in various stages of the process. Losses, if any, are provided for as soon as they become evident.

(b) Endowments

Endowments represent externally restricted contributions where the principal is to be held intact. Interest earned on endowments are included in deferred contributions and must be used in accordance with the conditions imposed by the donor's terms of reference.

(c) Capital Assets and Collections

Capital assets are recorded at cost. For capital assets transferred to the College from the Department, cost is the Department's net carrying amount at September 1, 1997, the date of transfer.

Capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Mobile structures	20 years
Telecommunication equipment	10 years
Furniture and equipment	5 - 10 years
Logging and heavy equipment	3 - 10 years
Vehicles	2 -10 years
Library holdings	2 - 10 years
Computer equipment	5 years
Computer software	2 years

Museum collections are recorded at cost but are not amortized.

(d) Inventories

Inventories for resale are valued at the lower of cost, or estimated cost, and estimated net realizable value. Cost is determined on a first-in, first-out basis. Inventories held for consumption are valued at the lower of cost and replacement value.

(e) Pension Liability and Expense

The College and its eligible employees participate in the Province of Alberta's Public Service Pension Plan and the Management Employees Pension Plan. The Public Sector Pension Plans Act specifies the basis for determining the amount of the total unfunded liability for the plans which will be funded by employers.

The College's pension liability is its portion of the total unfunded pension liabilities of each Plan, including deferred adjustments arising from experience gains and losses and changes to actuarial assumptions identified by new actuarial valuations. The College's portion is based on the ratio of pensionable earnings of the College's employees to the pensionable earnings of all employees of each Plan. The ratio is adjusted annually based upon the previous year's pensionable earnings of all employees in each Plan.

The actuarial valuations for the pension plans were determined using the projected benefit method prorated on service. Assumptions used in the valuations are based on the Pension Board's best estimate of future events. The plans' future experience will differ, perhaps significantly, from the assumptions. Any differences between the actuarial assumptions and future experience emerge as gains or losses in future valuations. Gains and losses which relate to the long term are amortized over the expected average remaining service life of the employee group. Gains and losses for which there is reasonable assurance regarding their measurement and realization are recognized in income immediately.

Note 4 Cash

Cash includes deposits of $815,699 in the Consolidated Cash Investment Trust Fund ("CCITF") of the Province of Alberta. The CCITF is managed with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term and mid-term fixed income securities with a maximum term to maturity of five years. Interest is earned on a daily cash balance at the average rate earnings of the CCITF which varies depending on prevailing market interest rates. Cash totalling $772,920, included in the above, is externally restricted by contributors for bursaries, scholarships, awards, financial assistance, swimming pool maintenance and the logging program.

Cash restricted for endowment purposes, totalling $20,000, included in the above, represents restricted contributions subject to stipulations specifying that the principal be maintained permanently, although the constituent assets may change from time to time. Investment earnings are to be used for purposes as designated by the contributors.

Note 5 Due from the Department of Advanced Education and Career Development

This receivable is summarized as follows:

Operating reserve grant receivable	$500,000
Learning enhancement grant receivable	55,851
Unearned revenue held by the Department	11,114
Less accountable advance payable to the Department	(5,650)
	$561,315

The operating reserve grant was provided by the Department to assist the College in the transition to Board governance. The funds are applied, firstly, to the liabilities assumed from the Department, excluding the pension liability. Any remaining funds are applied to meet additional costs incurred during the transition.

Note 6 Inventories

Devonshire Boutique	$ 203,520
Buffalo Bay Bookstore	153,963
	$ 357,483

Note 7 Capital Assets and Collections

Computer equipment and software	$ 876,040
Logging and heavy equipment	783,683
Library holdings	292,233
Mobile structures	146,060
Furniture and equipment	102,573
Telecommunication equipment	85,232
Vehicles	51,951
Museum collections	14,356
	$ 2,352,128

The museum collections are an educational and cultural resource containing aboriginal artifacts and clothing. The collections are displayed in the Native Cultural Heritage Museum at the Grouard Campus.

Note 8 Unearned Revenue

Tuition fees	$ 6,414
Contract programs	4,700
	$ 11,114

Note 9 Deferred Contributions

Deferred contributions represent externally restricted contributions contributed by the Department related to expenses of future periods which will be recognized as revenue in the period in which the related expenses are incurred. The contributors have stipulated that these funds be spent for scholarships, bursaries, awards and student assistance, the operation of the swimming pool and logging equipment program. Deferred contributions are comprised of:

Slave Lake Pool Fund	$ 618,086
Student Convocation Fund	108,349
Recapitalization Fund	28,537
R. Gladue Memorial Fund	9,547
CCEC Society Fund	6,551
Northlands Scholarship Fund	1,850
	$ 772,920

Note 10 Long-term Debt

Long-term debt consists of:

	Maturity Date	Interest Rate %	Amount Outstanding
Bank loan payable			
Timberjack Feller Buncher	March, 1999	Prime + .75%	$ 130,476
Finance contracts:			
Loader	January, 2000	9.00	223,077
Grapple Skidder	February, 1999	11.25	90,777
Delimber	September, 1997	10.50	16,326
			460,656
Obligations under capital leases:			
Truck and trailer	November, 1997	4.50	44,634
Telephone system	August, 1999	8.00	24,694
Less amount representing interest			(2,256)
			67,072
			527,728
Less current portion			(216,894)
			$ 310,834

Future principal repayments on long-term debt are estimated as follows:

1998	$ 216,894
1999	171,890
2000	116,578
2001	22,366
	$ 527,728

Note 11 Pension Liability

The College participates with other employers in the Province of Alberta's Public Service Pension Plan and Management Employees Pension Plan. These plans provide pensions for the College's employees based on their years of service and earnings.

The College's portion of unfunded pension liability to each plan transferred from the Department as at September 1, 1997, was estimated as follows:

Public Service Pension Plan	$ 363,819
Management Employees Pension Plan	145,097
	$ 508,916

The total unfunded pension liability for each plan was determined by an actuarial valuation as at December 31, 1995 for the Public Service Pension Plan, and as at December 31, 1994 for the Management Employees Pension Plan, both extrapolated to September 1, 1997.

Note 12 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent contributed capital assets that will be amortized. These contributions will be recognized as revenue on the same basis as the amortization expense related to the capital assets.

Note 13 Opening Surplus

The transfer of assets, liabilities and operations from the Department on September 1, 1997 has resulted in an opening surplus of $538,836. This surplus results from the following capital transactions:

Contribution of assets:	
Cash	$ 731,180
Accounts receivable	37,011
Prepaid expenses	13,064
Inventories	357,483
Operating reserve grant receivable from the Department (Note 5)	500,000
Learning enhancement grant receivable from the Department	55,851
	1,694,589
Assumption of liabilities:	
Accrued vacation pay	(500,000)
Accounts payable	(146,837)
Pension liability	(508,916)
	(1,155,753)
	$ 538,836

The opening surplus includes $68,829 that is internally restricted by the CCEC under the Logging Equipment Operator Program to provide a sufficient level of working capital to maintain operations and meet its objectives. The restricted amount is calculated each August 31 as the sum of CCEC accounts receivable, inventories and $50,000 to cover accounts payable and cash requirements. This amount is not available for distribution.

Note 14 Related Party Transactions

Department of Advanced Education and Career Development

Effective September 1, 1997, the Department contributed capital assets and collections with a carrying value of $1,552,655 to the College. This included furniture, computer hardware and software, heavy equipment, vehicles, other miscellaneous equipment, museum collections and library. This amount is included in capital assets and collections and $1,520,153 in unamortized deferred capital contributions. The difference of $32,502, representing museum collections included in investment in capital assets and a capital lease obligation taken over by the College, included in long-term debt.

As at September 1, 1997, the College held, on behalf of the Department, an accountable advance of $5,650. This amount is deducted from the Due from the Department.

Departments of Public Works, Supply and Services and Environmental Protection

The Department of Public Works, Supply and Services and the Department of Environmental Protection currently owns or leases, on behalf of the College, virtually all space occupied by the College. The Department of Public Works, Supply and Services also pays for utilities, repairs and maintenance as well as renovations. Effective April 1, 1998, responsibility for costs related to certain premises and their related occupancy costs have been transferred from the Department of Public Works, Supply and Services to the College along with a corresponding increase in grants to fund the additional costs.

Note 15 Contingent Liability

In the transition process, the College and Department have committed to the principle that employees not be disadvantaged by the change in their employment. Employees are permitted to remain as participants of the Public Service Pension Plan and the Management Employees Pension Plan until December 31, 1998. The possibility exists that the transfer of employees from the current pension plans to the Local Authorities Pension Plan may result in reduced pension benefits for some employees which the College or the Department would likely be obligated to address. Since the outcome of the negotiations relating to the transfers cannot be predicted at this time, an estimate of the amount of the contingent loss cannot be made. Accordingly, a liability has not been accrued in this financial statement.

Note 16 Approval of Financial Statement

This financial statement was approved by the Board of Governors of the College.

BOW VALLEY COLLEGE
(formerly Alberta Vocational College - Calgary)

STATEMENT OF FINANCIAL POSITION
SEPTEMBER 1, 1997

AUDITOR'S REPORT

To the Minister of Advanced Education and Career Development
and the Board of Governors of Bow Valley College

I have audited the statement of financial position of the Bow Valley College (formerly Alberta Vocational College - Calgary) as at September 1, 1997. This financial statement is the responsibility of the College's management. My responsibility is to express an opinion on this financial statement based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, this financial statement presents fairly the financial position of the College as at September 1, 1997 in accordance with general accepted accounting principles.

Original signed by
Peter Valentine, FCA
Auditor General

Edmonton, Alberta
June 17, 1998

BOW VALLEY COLLEGE
(formerly Alberta Vocational College - Calgary)

STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 1, 1997
(Note 1)

ASSETS	
Current:	
Cash (Note 4)	$ 121,109
Due from the Department of Advanced Education and Career Development (Note 5)	1,033,640
Inventories (Note 6)	198,297
	1,353,046
Capital assets (Note 7)	588,309
	$ 1,941,355
LIABILITIES AND DEFICIT	
Current:	
Accrued vacation pay	$ 653,187
Unearned revenue (Note 8)	459,540
Deferred contributions (Note 9)	293,506
	1,406,233
Pension liability (Note 10)	548,488
Unamortized deferred capital contributions (Note 11)	588,309
	2,543,030
Deficit:	
Opening deficit (Note 12)	(601,675)
	$ 1,941,355

The accompanying notes are part of this financial statement.

BOW VALLEY COLLEGE
(formerly Alberta Vocational College - Calgary)

NOTES TO THE FINANCIAL STATEMENT
SEPTEMBER 1, 1997

Note 1 Authority and Purpose

On May 14, 1997, the Lieutenant Governor in Council established the Alberta Vocational College - Calgary as a public college under the authority of the Colleges Act, Chapter C-18, Revised Statutes of Alberta 1980, as amended. On April 1, 1998, Alberta Vocational College - Calgary was renamed Bow Valley College (the "College").

Serving primarily the city of Calgary and communities in southern Alberta, the College provides instruction and training to assist adult learners through academic upgrading programs; career entry training in business, health, and service industries; and English as a second language programs. The College maintains a special interest in providing programs and services to aboriginal communities.

Also on May 14, 1997, the Lieutenant Governor in Council established an interim governing authority to operate the College until a college board was appointed. The interim governing authority was directed to offer employment to employees of the existing institution administered by the Department of Advanced Education and Career Development (the "Department"). A Board of Governors was appointed on April 1, 1998 to replace the interim governing authority.

Effective September 1, 1997, the College commenced operations as a public vocational college under the jurisdiction of an interim governing authority and the College assumed certain assets, liabilities and operations from the Department, pursuant to a Ministerial Order. In addition, responsibility for the employment of the majority of employees was transferred to the College.

The main campus land and buildings occupied by the College are currently owned and administered by the Department of Public Works, Supply and Services. While responsibility for ongoing maintenance of the buildings has been transferred to the College effective April 1, 1998, the timing of the transfer of legal ownership of certain land and building has not been determined.

Note 2 Basis of Presentation

This financial statement has been prepared at the request of the Department to report the financial position of the College as at September 1, 1997, and includes the assets, liabilities and operations transferred to the College.

Note 3 Significant Accounting Policies and Reporting Practices

a) Revenue Recognition

Externally restricted non-capital contributions are deferred and will be recognized as revenue in the period in which the related expenses are incurred.

Externally restricted capital contributions are recorded as deferred contributions. When the assets are acquired, the amount representing contributed capital assets that will be amortized is transferred to unamortized deferred capital contributions, and the amount representing contributed capital assets that will not be amortized, such as land, is recorded as a direct increase in net assets.

Unamortized deferred capital contributions will be recognized as revenue in the periods in which the related capital assets are amortized. The related portion of amortization expense and the deferred capital contributions revenue will be matched to indicate the extent to which amortization expense has been funded.

Externally restricted contributions for endowment purposes will be recorded as direct increases in net assets.

Amounts received prior to September 1, 1997 for tuition fees, contract programs and sales, and other services that relate to programs, goods and services provided after August 31, 1997, are classified as unearned revenue and will be recognized as revenue in the period the programs, goods and services are provided.

b) Capital Assets

Capital assets are recorded at cost. For capital assets transferred from the Department, cost is the Department's net carrying amount at September 1, 1997, the date of the transfer.

Capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Furniture, vehicles and equipment	10 years
Computer equipment	3-5 years

c) Inventories

Inventories for resale are valued at the lower of cost and net realizable value.

d) Pension Liability

The College and its eligible employees participate in the Province of Alberta's Public Service Pension Plan and the Management Employees Pension Plan. The Public Sector Pension Plans Act specifies the basis for determining the amount of the total unfunded liability for the plans which will be funded by employers.

The College's pension liability is its portion of the total unfunded pension liabilities of each Plan, including deferred adjustments arising from experience gains and losses and changes to actuarial assumptions identified by new actuarial valuations. The College's portion is based on the ratio of pensionable earnings of the College's employees to the pensionable earnings of all employees of each Plan. The ratio is adjusted annually based upon the previous year's pensionable earnings of all employees in each Plan.

The actuarial valuations for the pension plans were determined using the projected benefit method prorated on service. Assumptions used in the valuations are based on the Pension Board's best estimate of future events. The plans future experience will differ, perhaps significantly, from the assumptions. Any differences between the actuarial assumptions and future experience emerge as gains or losses in future valuations. Gains and losses which relate to the long term are amortized over the expected average remaining service life of the employee group. Gains and losses for which there is a reasonable assurance regarding their measurement and realization are recognized in income immediately.

Note 4 Cash

Cash includes deposits of $95,209 in the Consolidated Cash Investment Trust Fund ("CCITF") of the Province of Alberta. The CCITF is managed with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term and mid-term fixed income securities with a maximum term to maturity of five years. Interest is earned on a daily cash balance at the average rate earnings of the CCITF which varies depending on prevailing market interest rates.

These deposits of $95,209 are externally restricted by contributors for purposes of the College including scholarships, bursaries, awards and student assistance.

Note 5 Due from the Department of Advanced Education and Career Development

This receivable is summarized as follows:

Operating reserve grant receivable	$ 600,000
Unearned revenue held by the Department	459,540
Less accountable advance repayable to the Department	(25,900)
	$ 1,033,640

The operating reserve grant was provided by the Department to assist the College in the transition to Board governance. The operating reserve grant is applied to the liabilities assumed from the Department, excluding the pension liability.

Note 6 Inventories

Inventories for resale consist of books and educational materials valued at $198,297.

Note 7 Capital Assets

Computer equipment	$ 490,541
Furniture and equipment	78,492
Vehicles	19,276
	$ 588,309

Note 8 Unearned Revenue

Unearned revenue is summarized as follows:

Contract programs	$ 292,513
Tuition fees	158,971
Other	8,056
	$ 459,540

Note 9 Deferred Contributions

Deferred contributions represent unspent, externally restricted contributions and inventories contributed by the Department. Externally restricted contributions are transferred from the Department. The contributors have stipulated that these funds be spent for the purposes of the College including scholarships, bursaries, awards and student assistance. Deferred contributions are comprised of:

Contributed inventories (Note 6)	$ 198,297
Restricted contributions transferred from the Department	95,209
	$ 293,506

The Department intends to reduce the 1997-98 operating grant to the College by the amount of contributed inventories.

Note 10 Pension Liability

The College participates with other employers in the Province of Alberta's Public Service Pension Plan and Management Employees Pension Plan. These plans provide pensions for the College's employees based on years of service and earnings.

The College's portion of unfunded pension liability for each plan transferred from the Department as at September 1, 1997, was estimated as follows:

Public Service Pension Plan	$ 425,945
Management Employee Pension Plan	122,543
	$ 548,488

The total unfunded pension liability for each plan was determined by an actuarial valuation as at December 31, 1995 for the Public Service Pension Plan, and as at December 31, 1994 for the Management Employees Pension Plan, both extrapolated to September 1, 1997.

Note 11 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent contributed capital assets that will be amortized. These contributions will be recognized as revenue on the same basis as the amortization expense related to the capital assets.

Note 12 Opening Deficit

The transfer of assets, liabilities and operations from the Department on September 1, 1997 has resulted in an opening deficit of $601,675. This deficit results from the following capital transactions:

Assumption of liabilities:	
Accrued vacation pay	$ 653,187
Pension liability	548,488
	1,201,675
Contribution of asset:	
Operating reserve grant receivable from the Department (Note 5)	(600,000)
	$ 601,675

Note 13 Related Parties

Department of Advanced Education and Career Development

Effective September 1, 1997, the Department contributed capital assets with a carrying value of $588,309 to the College. This included furniture, vehicles, computer and other equipment. This amount is included in capital assets and unamortized deferred capital contributions. Inventories totaling $198,297 were also contributed by the Department.

As at September 1, 1997, the College held, on behalf of the Department, an accountable advance of $25,900. This amount is deducted from the Due From the Department.

Department of Public Works, Supplies and Services

The Department of Public Works, Supplies and Services currently owns or leases on behalf of the College, virtually all space occupied by the College. The possibility exists that responsibility for costs related to certain premises may be transferred from the Department of Public Works, Supply and Services to the College. Funding arrangements for such costs have not yet been determined.

The Department of Public Works, Supplies and Services also pays for all janitorial services, utilities, maintenance, repairs, and minor renovations. Effective April 1, 1998, this responsibility has transferred to the College along with a corresponding increase in grants to fund the additional costs.

Note 14 Contingent Liability

In the transition process, the College and Department have committed to the principle that employees not be disadvantaged by the change in their employment. Employees are permitted to remain as participants of the Public Service Pension Plan and the Management Employees Pension Plan until December 31, 1998. The possibility exists that employees will be transferred from the current pension plans to the Local Authorities Pension Plan after December 31, 1998, and, if transferred, this may result in reduced pension benefits for some employees which the College or the Department would likely be obliged to address. Since the outcome of the negotiations relating to the transfers cannot be predicted at this time, an estimate of the amount of the contingent loss cannot be made. Accordingly, a liability has not been accrued in this financial statement.

Note 15 Approval of Statement of Financial Position.

The financial statement was approved by the Board of Governors of the College.

NON-PROFIT PRIVATE COLLEGES FOUNDATION
FINANCIAL STATEMENTS
MARCH 31, 1998

AUDITOR'S REPORT

To the Board of Trustees of the
Non-Profit Private Colleges Foundation

I have audited the balance sheet of the Non-Profit Private Colleges Foundation as at March 31, 1998 and the statement of revenue and expenditure and accumulated excess of revenue over expenditure for the year then ended. These financial statements are the responsibility of the Foundation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 1998 and the results of its operations and the changes in its financial position for the period then ended in accordance with generally accepted accounting principles.

Original signed by
Peter Valentine, FCA
Auditor General

Edmonton, Alberta
August 21, 1998

NON-PROFIT PRIVATE COLLEGES FOUNDATION
BALANCE SHEET
AS AT MARCH 31, 1998

	1998	1997
ASSETS		
Current:		
Cash and cash equivalents	$ 1,844	$ 1,738
Accounts receivable	-	250
	$ 1,844	$ 1,988
LIABILITY AND EXCESS OF REVENUE OVER EXPENDITURE		
Accumulated excess of revenue over expenditure	$ 1,844	$ 1,988
	$ 1,844	$ 1,988

The accompanying notes are part of these financial statements.

NON-PROFIT PRIVATE COLLEGES FOUNDATION
STATEMENT OF REVENUE, EXPENDITURE AND ACCUMULATED EXCESS OF REVENUE OVER EXPENDITURE
FOR THE YEAR ENDED MARCH 31, 1998

	1998	1997
REVENUE		
Donations in cash	$ 160,500	$ 131,225
Donation in kind	-	1
Interest	106	430
	160,606	131,656
EXPENDITURE		
Grants to Canadian Union College	75,750	30,226
Grants to King's University College	85,000	51,000
Grants to Augustana University College	-	50,000
Administration expenses	-	45
	160,750	131,271
Excess (deficiency) of revenue over expenditure for the year	(144)	385
Accumulated excess of revenue over expenditure at beginning of year	1,988	1,603
Accumulated excess of revenue over expenditure at end of year	$ 1,844	$ 1,988

NON-PROFIT PRIVATE COLLEGES FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 1998

Note 1 Authority and Purpose

The Non-Profit Private Colleges Foundation (the "Foundation") operates under the authority of the Advanced Education Foundations Act, Chapter A-2.5, Statutes of Alberta 1991, as amended. The Foundation receives gifts and donations as an agent of the Crown in right of Alberta and provides grants to private colleges. The Foundation is exempt from payment of income taxes.

Note 2 Significant Accounting Policies

(a) Revenue Recognition

Donations are recognized as revenue when received. Donations in kind are recorded at fair value when fair value can be reasonably estimated. Donations in kind are recorded at nominal values when fair value cannot be reasonably estimated.

(b) Expenditure

Grants are recorded as expenditure when authorized by the Board of Trustees (the "Board").

(c) Administration Costs

Volunteers contribute an indeterminable number of hours per year to the Foundation. Such contributed services are not recorded in these financial statements.

(d) Changes in Financial Position

A statement of changes in financial position is not provided as disclosure in these financial statements is considered to be adequate.

Note 3 Approval of Financial Statements

These financial statements were approved by the Board of Trustees of the Non-Profit Private Colleges Foundation.

ATHABASCA UNIVERSITY FOUNDATION
FINANCIAL STATEMENTS
MARCH 31, 1998

AUDITOR'S REPORT

To the Board of Trustees of the Athabasca
University Foundation

I have audited the balance sheet of the Athabasca University Foundation as at March 31, 1998 and the statement of revenue, expenditure and unrestricted surplus for the year then ended. These financial statements are the responsibility of the Foundation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Original signed by
Peter Valentine, FCA
Auditor General

Edmonton, Alberta
May 20, 1998

ATHABASCA UNIVERSITY FOUNDATION
BALANCE SHEET
MARCH 31, 1998, WITH COMPARATIVE FIGURES FOR 1997

	1998	1997
Assets		
Cash	$ -	$ 100,000
Due from Athabasca University	-	14,854
	$ -	$ 114,854
Unrestricted surplus	$ -	$ 114,854

See accompanying notes to financial statements.

ATHABASCA UNIVERSITY FOUNDATION
STATEMENT OF REVENUE, EXPENDITURE AND
UNRESTRICTED SURPLUS
YEAR ENDED MARCH 31, 1998, WITH COMPARATIVE FIGURES FOR 1997

	1998	1997
Revenue:		
Donations	$ -	$ 102,889
Expenditure:		
Donation to Athabasca University	114,854	20,389
Excess of revenue over expenditure (expenditure over revenue) for the year	(114,854)	82,500
Unrestricted surplus, beginning of year	114,854	32,354
Unrestricted surplus, end of year	$ -	$ 114,854

See accompanying notes to financial statements.

ATHABASCA UNIVERSITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 1998

Note 1 Authority and Purpose

The Athabasca University Foundation (the "Foundation") was established by regulation on December 5, 1991 under the provisions of the Advanced Education Foundations Act, Chapter A-2.5, Statutes of Alberta 1991.

The Foundation is administered by an appointed Board of Trustees and its principle purpose is to receive gifts of real and personal property and to provide grants and property to Athabasca University to support and promote the educational and research activities of the University. The Foundation is exempt from the payment of income taxes.

Note 2 Changes in Financial Position

A statement of changes in financial position is not provided as it would not provide additional meaningful information.

Note 3 Approval of Financial Statements

These financial statements have been reviewed by management and recommended for approval to the Foundation's Board of Trustees.

Note 3 Related Party Transactions and Subsequent Event

During the year, the Foundation dispensed its remaining assets to Athabasca University and subsequent to the year end the Minister of Advanced Education and Career Development requested the Foundation be wound up.

UNIVERSITY OF LETHBRIDGE FOUNDATION
FINANCIAL STATEMENTS
MARCH 31, 1998

AUDITOR'S REPORT

To the Board of Trustees of
the University of Lethbridge Foundation

I have audited the statement of financial position of the University of Lethbridge Foundation as at March 31, 1998 and the statements of operations and net assets for the year then ended. These financial statements are the responsibility of the Foundation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Original signed by
Peter Valentine, FCA
Auditor General

Edmonton, Alberta
May 11, 1998

UNIVERSITY OF LETHBRIDGE FOUNDATION
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 1998

	1998	1997
Assets		
Cash and cash equivalents	$ -	$ -
Liability and net assets		
Due to The University of Lethbridge	$ -	$ -
Net assets	-	-
	$ -	$ -

The accompanying notes are part of these financial statements.

UNIVERSITY OF LETHBRIDGE FOUNDATION
STATEMENT OF OPERATIONS AND NET ASSETS
FOR THE YEAR ENDED MARCH 31, 1998

	1998	1997
Revenue		
Donations (Note 3)	$ 153,600	$ 766,682
Expense		
Grants to The University of Lethbridge	153,600	766,682
Excess of revenue over expense	-	-
Net assets, beginning of year	-	-
Net assets, end of year	$ -	$ -

UNIVERSITY OF LETHBRIDGE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 1998

Note 1 Authority

The University of Lethbridge Foundation (the "Foundation") operates under the authority of the Advanced Education Foundations Act, Chapter A-2.5 Statues of Alberta 1991 as amended. The Foundation was established to receive gifts of real and personal property, and to provide grants of real and personal property to The University of Lethbridge (the "University") to support and promote the educational and research activities of the University.

Under Section 149(1)(l) of the Income Tax Act, the Foundation is exempt from income tax on income earned in the normal course of operations.

Note 2 Significant Accounting Policies

(a) Administrative Expense
The administrative expense of the Foundation is borne by the University and not recorded in these financial statements.

(b) Statement of Changes in Financial Position
A statement of changes in financial position is not provided as disclosure in these financial statements is considered to be adequate.

Note 3 Donations

During the year, the Foundation received donations of art work with a fair value of $153,600 (1997 $741,682) and no cash donations (1997 $25,000).

Note 4 Approval of Financial Statements

The Board of Trustees of the University of Lethbridge Foundation have reviewed and approved these financial statements.

BANFF CENTRE FOUNDATION
FINANCIAL STATEMENTS
MARCH 31, 1998

AUDITOR'S REPORT

To the Board of Trustees of the
Banff Centre Foundation

I have audited the balance sheet of the Banff Centre Foundation as at March 31, 1998 and the statement of revenue, expense and surplus for the year then ended. These financial statements are the responsibility of the Foundation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Original signed by
Peter Valentine, FCA
Auditor General

Edmonton, Alberta
May 29, 1998

BANFF CENTRE FOUNDATION
BALANCE SHEET
AS AT MARCH 31, 1998

	1998	1997
ASSETS		
Cash and short-term investments	$ 382	$ 3,432
Marketable securities	5,005	-
	$ 5,387	$ 3,432
SURPLUS		
Surplus	$ 5,387	$ 3,432

The accompanying notes are part of these financial statements.

BANFF CENTRE FOUNDATION
STATEMENT OF REVENUE, EXPENSE AND SURPLUS
FOR THE YEAR ENDED MARCH 31, 1998

	1998	1997
Revenue:		
Donations (Note 4)	$ 89,600	$ -
Interest	57	67
Gain on sale of marketable securities	6,004	-
	95,661	67
Expense:		
Contribution to The Banff Centre for Continuing Education	92,500	-
Brokerage fees	1,200	-
Administration charges	6	135
	93,706	135
Excess (deficiency) of revenue over expense	1,955	(68)
Surplus, beginning of year	3,432	3,500
Surplus, end of year	$ 5,387	$ 3,432

BANFF CENTRE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 1998

Note 1 Authority

The Banff Centre Foundation (the "Foundation") operates under the authority of the Advanced Education Foundations Act, Chapter A-2.5, Statutes of Alberta 1991 as amended. The Foundation was formed to receive gifts of real and personal property, and to provide grants of real and personal property to The Banff Centre for Continuing Education to support and promote a broad range of learning experience with emphasis on the fine arts, management studies, language training and environmental training. The Foundation is exempt from payment of income tax. Subsequent to March 31, 1998 a decision was made to wind up the operations of the Foundation. The Foundation will be wound up during 1998-99.

Note 2 Significant Accounting Policies and Reporting Practices

(a) Marketable Securities

Marketable securities are recorded at the lower of cost and market value.

(b) Donations

Donations are reported as revenue when received. Donations on real property are recorded at fair value when a fair value can be reasonably determined.

(c) Statement of Changes in Financial Position

A statement of changes in financial position is not provided as disclosure in these financial statements is considered to be adequate.

Note 3 Marketable Securities

Marketable securities are carried at market value as the market value is lower than cost.

Note 4 Donations

During the year, the Foundation received donations of shares with a market value of $89,600.

Note 5 Related Party Transactions

The Foundation transferred $92,500 to the Banff Centre for Continuing Education during the year. There were no other significant transactions during the fiscal year.

Note 6 Approval of Financial Statements

These financial statements were prepared by management and approved by the Foundation's Board of Trustees.

ENTITIES INCLUDED IN THE CONSOLIDATED GOVERNMENT REPORTING ENTITY

Ministry, Department, Fund or Agency	*Ministry Annual Report*
Agriculture Financial Services Corporation	Agriculture, Food and Rural Development
Agriculture, Food and Rural Development Revolving Fund	Agriculture, Food and Rural Development
Alberta Agricultural Research Institute	Agriculture, Food and Rural Development
Alberta Alcohol and Drug Abuse Commission	Community Development
Alberta Dairy Control Board	Agriculture, Food and Rural Development
Alberta Energy and Utilities Board	Energy
Alberta Foundation for the Arts	Community Development
Alberta Gaming and Liquor Commission	Economic Development
Alberta Heritage Foundation for Medical Research Endowment Fund	Treasury
Alberta Heritage Savings Trust Fund	Treasury
Alberta Heritage Scholarship Fund	Treasury
Alberta Insurance Council	Treasury
Alberta Intermodal Services Ltd.	Treasury
Alberta Motion Picture Development Corporation	Economic Development
Alberta Municipal Financing Corporation	Treasury
Alberta Oil Sands Technology and Research Authority	Energy
Alberta Opportunity Company	Economic Development
Alberta Pensions Administration Corporation	Treasury
Alberta Petroleum Marketing Commission	Energy
Alberta Research Council	Science, Research and Information Technology
Alberta Risk Management Fund	Treasury
Alberta School Foundation Fund	Education
Alberta Science and Research Authority	Science, Research and Information Technology
Alberta Securities Commission	Treasury
Alberta Social Housing Corporation	Municipal Affairs
Alberta Special Waste Management Corporation	Environmental Protection
Alberta Sport, Recreation, Parks and Wildlife Foundation	Community Development
Alberta Treasury Branches	Treasury
ATB Investment Services Inc.	Treasury
Chembiomed Ltd. (in liquidation)	Treasury
Credit Union Deposit Guarantee Corporation	Treasury

ENTITIES INCLUDED IN THE CONSOLIDATED GOVERNMENT REPORTING ENTITY-CONTINUED

Ministry, Department, Fund or Agency	*Ministry Annual Report*
Crop Reinsurance Fund of Alberta	Agriculture, Food and Rural Development
Department of Agriculture, Food and Rural Development	Agriculture, Food and Rural Development
Department of Community Development	Community Development
Department of Economic Development	Economic Development
Department of Education	Education
Department of Energy	Energy
Department of Environmental Protection	Environmental Protection
Department of Family and Social Services	Family and Social Services
Department of Justice	Justice
Department of Municipal Affairs	Municipal Affairs
Department of Public Works, Supply and Services	Public Works, Supply and Services
Department of Science, Research and Information Technology	Science, Research and Information Technology
Department of Transportation and Utilities	Transportation and Utilities
Department of Treasury	Treasury
Economic Development and Tourism Revolving Fund	Economic Development
Education Revolving Fund	Education
Environmental Protection and Enhancement Fund	Environmental Protection
Environmental Protection Revolving Fund	Environmental Protection
475342 Alberta Ltd. (in liquidation)	Treasury
Gainers Inc.	Treasury
Gas Alberta Operating Fund	Transportation and Utilities
Historic Resources Fund	Community Development
Human Rights, Citizenship and Multiculturalism Education Fund	Community Development
Livestock Patrons' Assurance Fund	Agriculture, Food and Rural Development
Lottery Fund	Economic Development
Ministry of Advanced Education and Career Development [1]	Advanced Education and Career Development
Ministry of Agriculture, Food and Rural Development	Agriculture, Food and Rural Development
Ministry of Community Development	Community Development

[1] Ministry includes only the department so separate department information is not necessary.

ENTITIES INCLUDED IN THE CONSOLIDATED GOVERNMENT REPORTING ENTITY-CONTINUED

Ministry, Department, Fund or Agency	*Ministry Annual Report*
Ministry of Economic Development	Economic Development
Ministry of Education	Education
Ministry of Energy	Energy
Ministry of Environmental Protection	Environmental Protection
Ministry of Executive Council [1]	Executive Council
Ministry of Family and Social Services	Family and Social Services
Ministry of Health [1]	Health
Ministry of Intergovernmental and Aboriginal Affairs[1]	Intergovernmental and Aboriginal Affairs
Ministry of Justice	Justice
Ministry of Labour [1]	Labour
Ministry of Municipal Affairs	Municipal Affairs
Ministry of Public Works, Supply and Services	Public Works, Supply and Services
Ministry of Science, Research and Information Technology	Science, Research and Information Technology
Ministry of Transportation and Utilities	Transportation and Utilities
Ministry of Treasury	Treasury
N.A. Properties (1994) Ltd.	Treasury
Natural Resources Conservation Board	Environmental Protection
NFI Finance, Inc. (in liquidation)	Treasury
Persons with Developmental Disabilities Foundation	Family and Social Services
Public Works, Supply and Services Revolving Fund	Public Works, Supply and Services
S C Financial Ltd.	Treasury
Science and Research Fund	Science, Research and Information Technology
The Alberta Government Telephones Commission	Treasury
The Alberta Historical Resources Foundation	Community Development
The Government House Foundation	Community Development
The Wild Rose Foundation	Community Development
Transportation Revolving Fund	Transportation and Utilities
Treasury Revolving Fund	Treasury
Utility Companies Income Tax Rebates Fund	Treasury
Victims of Crime Fund	Justice

[1] Ministry includes only the department so separate department information is not necessary.

ENTITIES NOT INCLUDED IN THE CONSOLIDATED GOVERNMENT REPORTING ENTITY

Fund or Agency	*Ministry Annual Report*
Alberta Cancer Board	Health
Alberta Heritage Foundation for Medical Research	Science, Research and Information Technology
Alberta Teachers' Retirement Fund Board	Education
Improvement Districts Trust Account	Municipal Affairs
Local Authorities Pension Plan	Treasury
Long-Term Disability Benefit Fund-Bargaining Unit	Advanced Education and Career Development
Long-Term Disability Benefit Fund-Management, Opted Out and Excluded	Advanced Education and Career Development
Management Employees Pension Plan	Treasury
Provincial Judges and Masters in Chambers Pension Plan	Treasury
Provincial Mental Health Advisory Board	Health
Public Post-Secondary Institutions	Advanced Education and Career Development
Public Service Management (Closed Membership) Pension Plan	Treasury
Public Service Pension Plan	Treasury
Regional Health Authorities	Health
School Boards	Education
Special Areas Trust Account	Municipal Affairs
Special Forces Pension Plan	Treasury
Universities Academic Pension Plan	Treasury
Workers' Compensation Board	Labour